



//KHARA HAIS MUNICIPALITY
AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2014

//KHARA HAIS MUNICIPALITY

Annual Financial Statements For the Year Ended 30 June 2014

GENERAL INFORMATION

NATURE OF BUSINESS

//Khara Hais Municipality is a local municipality performing the functions as set out in the Constitution (Act no 105 of 1996).

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998) and are classified as a medium capacity municipality.

JURISDICTION

The //Khara Hais Municipality includes the following areas:

Upington	Karos
Leerkrans	Lambrechtsdrift
Kalksloot	Sesbrugge

The total population of //Khara Hais Municipality is 102 692 (STATS 2011) and the jurisdiction size is 3 444 km².

MEMBERS OF COUNCIL

LA Koloi	Mayor
T Basson	Speaker
E Allies	Member of Executive Committee
M Segede	Member of Executive Committee
JL Snyman	Member of Executive Committee
K de Wee	Member of Executive Committee
MM Abels	Councillor
E Munnik	Councillor
M Andreas	Councillor
J Assegaai	Councillor
MG Brand	Councillor
M Kock	Councillor
J Thomas	Councillor
R George	Councillor
J Isaacs	Councillor
E Lebisa	Councillor
SP May	Councillor
E Mnyaka	Councillor
J Moya	Councillor
D Ntlanganiso	Councillor
M Plaitjies	Councillor
IISS Selborne	Councillor
PT van der Steen	Councillor
AJ van Rooyen	Councillor
A van Wyk	Councillor
One vacant councillor position	

MUNICIPAL MANAGER:

Dalixolo Eric Ngxanga

CHIEF FINANCIAL OFFICER:

Gaylene Mercia Schreiner

//KHARA HAIS MUNICIPALITY

Annual Financial Statements For the Year Ended 30 June 2014

GENERAL INFORMATION

GRADING OF LOCAL AUTHORITY:

Grade 3

AUDITORS:

Auditor-General (Northern Cape)

PRIMARY BANKERS:

ABSA Bank Ltd

RELEVANT LEGISLATION:

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

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Annual Financial Statements For the Year Ended 30 June 2014

GENERAL INFORMATION

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 100, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager

Date signed

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Annual Financial Statements For the Year Ended 30 June 2014

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//KHARA HAIS MUNICIPALITY



// KHARA HAIS MUNICIPALITY STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Note	2014 Restated R	2014 Original R	2013 Restated R
ASSETS				
Non-current assets		1 791 958 615	1 779 492 738	1 779 743 051
Property, plant and equipment	1.1	1 577 881 955	1 577 744 713	1 576 756 430
Intangible assets	1.2	306 949	306 949	1 255 222
Investment Property	1.3	209 472 908	197 144 273	197 429 696
Heritage Assets	1.4	4 273 005	4 273 005	4 273 005
Non-current receivables	2	23 798	23 798	28 699
Current assets		66 096 488	66 514 049	81 022 821
Inventory	3	5 774 777	5 774 777	6 051 085
Trade receivables from exchange transactions	4	46 126 729	46 744 290	41 719 220
Trade receivables from non-exchange transactions	4	4 268 442	4 158 961	4 073 966
Other receivables	5	707 687	617 168	4 523 127
Unpaid conditional grants and receipts	6	5 181 441	5 181 441	5 297 660
Short term investments	7	668 913	154 541	634 714
Cash and cash equivalents	8	2 871 591	3 385 963	18 716 785
VAT Receivable	17	492 508	492 508	-
Current portion of receivables	2	4 400	4 400	6 263
TOTAL ASSETS		1 858 055 102	1 846 006 787	1 860 765 872
NET ASSETS AND LIABILITIES				
Non-current liabilities		207 055 754	205 813 493	213 893 695
Non-current borrowings	9	122 438 276	122 311 750	133 562 922
Employee Benefits	10	80 826 998	80 826 998	79 007 241
Non-current Provisions	11	3 790 480	2 674 744	1 323 531
Current liabilities		174 836 050	173 924 957	143 682 476
Current portion of borrowings	9	23 229 362	23 351 725	15 919 835
Consumer deposits	12	8 112 290	8 112 290	7 404 111
Current Employee Benefits	13	4 155 000	4 155 000	3 153 739
Provisions	14	1 276 954	1 259 019	722 479
Trade and other payables	15	97 821 064	96 805 543	52 816 481
Unspent conditional grants and receipts	16	36 248 360	36 248 360	37 174 082
VAT payable	17	-	-	10 137 668
Bank Overdraft	18	3 993 021	3 993 021	16 354 082
Net assets		1 476 163 298	1 466 268 337	1 503 189 702
Accumulated surplus / (deficit)	19	1 476 163 298	1 466 268 337	1 503 189 702
TOTAL NET ASSETS AND LIABILITIES		1 858 055 102	1 846 006 787	1 860 765 872

//KHARA HAIS MUNICIPALITY



//KHARA HAIS MUNICIPALITY STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 Restated R	2014 Original R	2013 Restated R
REVENUE				
Revenue from Non-Exchange Transactions		203 178 681	205 496 465	171 304 028
Taxation Revenue		61 002 862	61 002 862	50 437 491
Property rates	20	61 002 862	61 002 862	50 437 491
Transfer Revenue		122 553 036	122 553 036	108 906 882
Government grants and subsidies - Operating	22	69 642 640	69 642 640	66 749 986
Government grants and subsidies - Capital	22	52 910 396	52 910 396	42 156 896
Other Revenue		19 622 783	21 940 567	11 959 654
Actuarial Gain	10	6 706 302	6 706 302	-
Fines		873 270	873 270	1 313 020
Reversal of a Provision		-	-	-
Fair Value Adjustment on Investment Property		12 043 212	14 360 995	10 646 634
Revenue from Exchange Transactions		333 769 651	332 262 284	288 070 198
Service Charges	21	306 086 270	304 578 903	266 271 854
Rental of facilities and equipment		8 123 689	8 123 689	6 273 458
Interest earned - external investments		1 164 803	1 164 803	1 285 531
Interest earned - outstanding receivables		1 996 524	1 996 524	1 778 870
Licences and permits		1 642 016	1 642 016	1 681 009
Income for agency service		3 457 704	3 457 704	3 197 612
Income for housing agency service		648 363	648 363	563 498
Employee housing		104 375	104 375	102 182
Other income	23	7 469 669	7 469 669	5 796 578
Gain on Disposal of Property, Plant and Equipment		3 076 238	3 076 238	1 119 606
		536 948 332	537 758 749	459 374 226
Less: Revenue forgone		(2 138 216)	(2 138 216)	(2 051 025)
TOTAL REVENUE		534 810 116	535 620 533	457 323 201
EXPENDITURE		561 836 519	556 957 807	520 087 440
Employee related costs	24	199 439 592	198 424 071	180 520 798
Remuneration of councillors	25	7 120 447	7 120 447	6 803 942
Contributions to provisions - Bad debts	26.1	240 590	240 590	6 401 289
Contributions to provisions - Other	26.2	14 283 163	13 149 492	10 252 146
Actuarial Loss	10	-	-	1 266 311
Collection cost		154 825	154 825	196 075
Depreciation and amortisation expense	27	82 804 120	82 834 743	83 286 688
Impairment Losses	27	11 709 085	11 708 909	3 559 485
Repairs and maintenance	28	10 558 606	10 558 606	12 636 146
Finance costs	29	19 944 458	17 198 460	14 056 565
Bulk purchases	30	136 031 708	136 031 708	122 836 986
Contracted services	31	15 953 849	15 953 849	15 961 859
Grants and subsidies paid	32	27 209 537	27 209 537	25 477 682
Operating projects	33	1 394 202	1 394 202	983 122
General expenses	34	34 992 337	34 978 367	35 848 347
Loss on sale of Property, Plant and Equipment		-	-	-
TOTAL EXPENDITURE		561 836 519	556 957 807	520 087 440
NET SURPLUS / (DEFICIT) FOR THE YEAR		(27 026 403)	(21 337 275)	(62 764 239)

//KHARA HAIS MUNICIPALITY



Statement of Changes in Net Assets for the Year Ended 30 June 2014

	Revaluation Reserve	Accumulated Surplus / (Deficit)	Total
	R	R	R
2013			
Balance at 1 July 2012	-	1 611 253 049	1 611 253 049
Correction of Error (Prior Year)	-	-	-
Restated Balance	-	1 611 253 049	1 611 253 049
Surplus / (Deficit) for the Year - refer to note 36.15	-	(45 299 108)	(45 299 108)
Balance at 30 June 2013	-	1 565 953 941	1 565 953 941
Surplus / (Deficit) for the Year - refer to note 36.16	-	(62 764 239)	(62 764 239)
Restated Balance 30 June 2013	-	1 503 189 702	1 503 189 702
Other Transfers	-	-	-
Surplus / (Deficit) for the Year	-	(27 026 403)	(27 026 403)
Balance at 30 June 2014	-	1 476 163 299	1 476 163 299

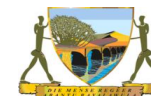
//KHARA HAIS MUNICIPALITY



Cash Flow Statement for the Year Ended 30 June 2014

	Note	2014 R	2013 R
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts			
Ratepayers and other		375 043 777	326 243 620
Government - operating	22	69 642 640	66 749 986
Government - capital	22	52 910 396	42 156 896
Interest		3 161 327	3 064 401
Payments			
Suppliers and employees		(362 339 682)	(373 990 419)
Transfers and Grants	32	(27 209 537)	(25 477 682)
Finance charges	29	(19 944 458)	(14 056 565)
Net Cash flow from operating activities		91 264 462	24 690 238
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Purchase of Property, Plant and Equipment		(94 967 081)	(74 250 042)
(Loss) / Proceeds on Disposal of Property, Plant and Equipment		3 076 238	1 119 606
Purchase of Intangible assets		(30 000)	(460 218)
Disposal of PPE		306 624	183 040
Decrease / (Increase) in Call Investment Deposits		(34 199)	(634 714)
Decrease / (Increase) in Non-Current Receivables		6 762	(13 511)
Net Cash From Investing Activities		(91 641 656)	(74 055 839)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Loans Repaid		(12 355 283)	(10 232 455)
New Loans Raised		8 540 164	65 624 326
Increase / (Decrease) in Consumer Deposits		708 179	1 265 101
Net Cash From Financing Activities		(3 106 940)	56 656 972
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS FROM ACTIVITIES		(3 484 133)	7 291 370
Cash and cash equivalents at the beginning of the year		2 362 703	(4 928 667)
Cash and cash equivalents at the end of the year	35.2	(1 121 430)	2 362 703
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(3 484 133)	7 291 370

//KHARA HAIS MUNICIPALITY



**//KHARA HAIS MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2014**

	2014 Original Approved Budget R	2014 Adjustments R	2014 Final Approved Budget R	2014 Final Year-End Budget R	2014 Actuals R	2014 Variance R	Explanations for material variances
ASSETS							
Current Assets							
Cash	5 660	-	5 660	5 660	5 840	180	
Call investment deposits	16 281 371	(4 281 371)	12 000 000	12 000 000	3 534 663	(8 465 337)	Investments were used to refund unspent capital grants of previous years
Consumer debtors	23 027 375	14 598 065	37 625 441	37 625 441	50 395 171	12 769 730	Trouble experience with implementation of Credit Control Policy
Other debtors	3 715 362	3 284 638	7 000 000	7 000 000	6 381 637	(618 363)	Restatement of FMG & MSIG
Current portion of long-term receivables	-	6 263	6 263	6 263	4 400	(1 863)	Amount as per repayment schedule
Inventory	3 784 638	2 715 362	6 500 000	6 500 000	5 774 777	(725 223)	Better control regarding inventory by reducing redundant stock
Total Current Assets	46 814 407	16 322 957	63 137 363	63 137 363	66 096 488	2 959 124	
Non Current Assets							
Long-term receivables	-	22 436	22 436	22 436	23 798	1 363	As per repayment schedule
Investment property	182 357 250	40 754 700	223 111 950	223 111 950	209 472 908	(13 639 042)	Restatement of asset register
Property, plant and equipment	2 034 672 571	(403 253 906)	1 631 418 665	1 631 418 665	1 582 154 960	(49 263 705)	Restatement of asset register
Intangible	2 140 370	(885 148)	1 255 222	1 255 222	306 949	(948 273)	Amortisation of Intangibles budgeted for at PPE
Total Non Current Assets	2 219 170 191	(363 361 918)	1 855 808 273	1 855 808 273	1 791 958 615	(63 849 658)	
TOTAL ASSETS	2 265 984 598	(347 038 962)	1 918 945 636	1 918 945 636	1 858 055 103	(60 890 534)	
LIABILITIES							
Current Liabilities							
Bank overdraft	5 000 000	5 000 000	10 000 000	10 000 000	3 993 021	(6 006 979)	Own funds were used to refund unspent capital grants of previous years
Borrowing	17 073 933	1 000 000	18 073 933	18 073 933	23 229 362	5 155 428	Repayment on additional loans not budgeted
Consumer deposits	11 000 000	(3 500 000)	7 500 000	7 500 000	8 112 290	612 290	New housing developments lead to increase in connections
Trade and other payables	71 292 814	21 525 607	92 818 420	92 818 420	134 069 424	41 251 003	Debtors not recovered resulted in cash flow problems and creditors not being paid
Provisions	10 000 001	(1 000 001)	9 000 000	9 000 000	5 431 954	(3 568 046)	Three year phase in period for PEMA & LSA concluded
Total Current Liabilities	114 366 748	23 025 606	137 392 354	137 392 354	174 836 050	37 443 696	
Non Current Liabilities							
Borrowing	173 616 488	20 165 830	193 782 318	193 782 318	122 438 276	(71 344 042)	Loans budgeted for did not materialised
Provisions	90 775 374	(1 522 438)	89 252 936	89 252 936	84 617 478	(4 635 458)	Three year phase in period for PEMA & LSA concluded
Total Non Current Liabilities	264 391 862	18 643 392	283 035 254	283 035 254	207 055 754	(75 979 500)	
TOTAL LIABILITIES	378 758 610	41 668 998	420 427 608	420 427 608	381 891 804	(38 535 804)	
NET ASSETS	1 887 225 989	(388 707 960)	1 498 518 029	1 498 518 029	1 476 163 298	(22 354 730)	
COMMUNITY WEALTH / EQUITY							
Accumulated Surplus	1 887 225 989	(388 707 960)	1 498 518 028	1 498 518 029	1 476 163 298	(22 354 730)	
TOTAL COMMUNITY WEALTH / EQUITY	1 887 225 989	(388 707 960)	1 498 518 028	1 498 518 029	1 476 163 298	(22 354 730)	

//KHARA HAIS MUNICIPALITY

//KHARA HAIS MUNICIPALITY STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014



	2014 ACTUAL R	2014 FINAL BUDGET R	2014 VARIANCE R	EXPLANATIONS - MATERIAL VARIANCES
REVENUE BY SOURCE				
Property rates	58 864 646	61 162 946	(2 298 300)	New housing development not yet registered
Service charges	306 086 270	302 005 613	4 080 657	Offsetting of municipal consumption budgeted against income
Rental of facilities and equipment	8 123 689	7 047 682	1 076 007	Rental of erven for new shopping mall
Interest earned - external investments	1 164 803	914 217	250 586	Increases in repo rates
Interest earned - outstanding receivables	1 996 524	1 682 327	314 197	Increase in debtors resulted in additional interest levied
Fines	873 270	865 472	7 798	
Licences and permits	1 642 016	1 670 187	(28 171)	
Agency services	3 457 704	3 476 800	(19 096)	
Transfers recognised - operating	69 642 640	68 373 242	1 269 398	
Other revenue	26 971 921	9 936 470	17 035 451	Increase in non-cash items: Fair Value
Gains on disposal of PPE	3 076 238	4 500 000	(1 423 762)	Adjustment and Actuarial Gain
				Sale of erven not materialised
Total Operating Revenue	481 899 719	461 634 956	20 264 763	
EXPENDITURE BY TYPE				
Employee related costs	199 439 592	199 803 930	(364 338)	Better controls implemented for overtime
Remuneration of councillors	7 120 447	7 483 334	(362 887)	Municipality was downgraded to a grade 4 municipality
Debt impairment	240 590	1 000 000	(759 410)	Decrease in debtor collection days
Depreciation and asset impairment	94 513 205	108 541 880	(14 028 675)	Restatement of asset register
Finance Charges	19 944 458	16 227 962	3 716 496	Penalty interest on late payments due to cash flow problems
Bulk purchases	136 031 708	133 531 083	2 500 625	Additional Eskom levies for increased electricity demand
Contracted services	15 953 849	20 584 654	(4 630 805)	Cost containment measures implemented
Transfers and grants	27 209 537	25 743 902	1 465 635	Increase in demand for indigent subsidy
Other expenditure	61 383 133	65 428 186	(4 045 053)	Cost containment measures implemented
Loss on disposal of PPE	-	-	-	
Total Operating Expenditure	561 836 519	578 344 931	(16 508 412)	
Operating (Deficit) for the year	(79 936 800)	(116 709 975)	36 773 175	
Transfers Recognised - Capital	52 910 396	73 032 301	(20 121 905)	Capital projects not completed
(DEFICIT) FOR THE YEAR	(27 026 403)	(43 677 674)	16 651 271	

//KHARA HAIS MUNICIPALITY



//KHARA HAIS MUNICIPALITY STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	2014 Original Approved Budget R	2014 Adjustments R	2014 Final Approved Budget R	2014 Final Virements R	2014 Final Year-End Budget R
REVENUE BY SOURCE					
Property rates	61 170 021	(7 075)	61 162 946	-	61 162 946
Service charges	311 679 055	(9 673 441)	302 005 613	-	302 005 613
Rental of facilities and equipment	7 018 121	29 561	7 047 682	-	7 047 682
Interest earned - external investments	1 005 006	(90 789)	914 217	-	914 217
Interest earned - outstanding receivables	1 682 327	-	1 682 327	-	1 682 327
Fines	2 054 650	(1 189 178)	865 472	-	865 472
Licences and permits	1 658 187	12 000	1 670 187	-	1 670 187
Agency services	3 476 800	-	3 476 800	-	3 476 800
Transfers recognised - operating	64 764 122	3 609 119	68 373 242	-	68 373 242
Other revenue	3 926 048	6 010 422	9 936 470	-	9 936 470
Gains on disposal of PPE	7 000 000	(2 500 000)	4 500 000	-	4 500 000
Total Operating Revenue	465 434 337	(3 799 381)	461 634 956	-	461 634 956
EXPENDITURE BY TYPE					
Employee related costs	194 753 108	4 998 421	199 751 529	52 401	199 803 930
Remuneration of councillors	7 279 518	249 999	7 529 517	(46 183)	7 483 334
Debt impairment	1 000 000	-	1 000 000	-	1 000 000
Depreciation and asset impairment	108 541 880	-	108 541 880	-	108 541 880
Finance Charges	15 369 151	259 211	15 628 362	599 600	16 227 962
Bulk purchases	131 914 583	2 200 000	134 114 583	(583 500)	133 531 083
Contracted services	17 167 184	3 503 728	20 670 912	(86 258)	20 584 654
Transfers and grants	25 983 902	(90 000)	25 893 902	(150 000)	25 743 902
Other expenditure	82 999 019	(17 784 774)	65 214 245	213 941	65 428 186
Loss on disposal of PPE	-	-	-	-	-
Total Operating Expenditure	585 008 344	(6 663 414)	578 344 930	-	578 344 931
Operating (Deficit) for the year	(119 574 007)	2 864 033	(116 709 974)	-	(116 709 975)
Transfers Recognised - Capital	37 043 590	35 988 711	73 032 301	-	73 032 301
(DEFICIT) FOR THE YEAR	(82 530 417)	38 852 744	(43 677 673)	-	(43 677 674)

//KHARA HAIS MUNICIPALITY

**//KHARA HAIS MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASHFLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014**



	2014 Original Approved Budget R	2014 Adjustments R	2014 Final Approved Budget R	2014 Final Year-End Budget R	2014 Actuals R	2014 Variance R	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES							
Receipts							
Ratepayers and other	389 082 881	8 909 581	397 992 462	397 992 462	375 043 777	(22 948 685)	Trouble experience with implementation of Credit Control Policy
Government - operating	64 764 122	3 609 119	68 373 242	68 373 242	69 642 640	1 269 398	Additional COGHSTA funding received
Government - capital	37 043 590	35 988 711	73 032 301	73 032 301	52 910 396	(20 121 905)	Capital projects not completed
Interest	2 687 333	(90 789)	2 596 544	2 596 544	3 161 327	564 783	Increase in debtors resulted in additional interest levied
Payments							
Suppliers and employees	(427 561 117)	7 774 184	(419 786 933)	(419 786 933)	(362 339 682)	57 447 251	Cost containment measures implemented
Finance charges	(15 369 151)	(259 211)	(15 628 362)	(15 628 362)	(19 944 458)	(4 316 096)	Penalty interest on late payments due to cash flow problems
Transfers and grants	(25 983 902)	90 000	(25 893 902)	(25 893 902)	(27 209 537)	(1 315 635)	Increase in demand for indigent subsidy
NET CASH FROM / (USED) OPERATING ACTIVITIES	24 663 756	56 021 596	80 685 352	80 685 352	91 264 462	10 579 110	
CASH FLOW FROM INVESTING ACTIVITIES							
Receipts							
Proceeds on disposal of PPE	7 000 000	(2 500 000)	4 500 000	4 500 000	3 076 238	(1 423 762)	Sale of erven not materialised
Decrease / (Increase) in non-current debtors	-	-	-	-	-	-	
Decrease / (Increase) in non-current receivables	-	6 263	6 263	6 263	6 762	500	
Decrease / (Increase) in non-current investments	1 000 000	(1 000 000)	-	-	(34 199)	(34 199)	Removal of trust accounts from AFS
Payments							
Capital assets	(65 814 924)	(81 453 175)	(147 268 099)	(147 268 099)	(94 690 457)	52 577 642	Capital projects not completed
NET CASH FROM / (USED) INVESTING ACTIVITIES	(57 814 924)	(84 946 912)	(142 761 836)	(142 761 836)	(91 641 656)	51 120 181	
CASH FLOW FROM FINANCING ACTIVITIES							
Receipts							
Borrowing long term / financing	44 427 440	27 433 283	71 860 723	71 860 723	8 540 164	(63 320 559)	Loans budgeted for not materialised
Increase (decrease) in consumer deposits	41 924	53 966	95 889	95 889	708 179	612 290	New housing developments lead to increase in connections
Payments							
Repayment of borrowing	(14 774 900)	3 929 487	(10 845 413)	(10 845 413)	(12 355 283)	(1 509 869)	Repayment on additional loans not budgeted
NET CASH FROM / (USED) FINANCING ACTIVITIES	29 694 463	31 416 736	61 111 199	61 111 199	(3 106 940)	(64 218 139)	
NET INCREASE / (DECREASE) IN CASH HELD	(3 456 705)	2 491 419	(965 285)	(965 285)	(3 484 133)	(2 518 848)	
Cash / cash equivalents at the year begin:	10 743 736	-	2 970 945	2 970 945	2 362 703	(608 242)	
Cash / cash equivalents at the year end:	7 287 032	-	2 005 660	2 005 660	(1 121 430)	(3 127 090)	

//KHARA HAIS MUNICIPALITY

Accounting Policies for the Annual Financial Statements For the Year Ended 30 June 2014

1 BASIS OF PRESENTATION

- 1.1 The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.
- 1.2 These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).
- 1.3 Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised - February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.
- 1.4 The Municipality resolved the early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 5 (Revised - Feb 2013)	Borrowing Costs	1 April 2014
GRAP 100 (Revised - Feb 2013)	Discontinued Operations (formerly known as Non-	1 April 2014

- 1.5 A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.
- 1.6 Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.
- 1.7 The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.
- 1.8 Standards, amendments to Standards and Interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 18 (Revised - Feb 2011)	Segment Reporting The objective of this Standard is to establish principles for reporting financial information by segments. Information to a large extent is already included in the appendices to the annual financial statements which do not form part of the audited financial statements.	1 April 2015
GRAP 20 (Original - Jun 2011)	Related Party Disclosure The objective of this interpretation of the Standards is to prescribe which persons qualify as related parties and which information should be disclosed in the AFS. No significant impact is expected as the Municipality already implemented controls to ensure that related party disclosures are met.	Unknown
GRAP 32 (Original - Aug 2013)	Service Concession Arrangements: Grantor The objective of this Standard is to prescribe the accounting for services concession arrangements by the grantor, a public sector entity. No significant impact is expected as the Municipality does not have any concessions at this stage.	Unknown
GRAP 105 (Original - Nov 2010)	Transfer of Functions Between Entities Under Common Control The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. No significant impact is expected as the Municipality does not participate in such business transactions.	1 April 2015

GRAP 106 (Original - Nov 2010)	Transfer of Functions Between Entities Not Under Common Control The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities not under common control. No significant impact is expected as the Municipality does not participate in such business transactions.	1 April 2015
GRAP 107 (Original - Nov 2010)	Mergers The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 108 (Original - Sep 2013)	Statutory Receivables The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	Unknown
IGRAP 11	Consolidation - Special Purpose Entities (SPE) The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE. No significant impact is expected as the Municipality does not have any SPE's at this stage.	Unknown

IGRAP 12	Jointly Controlled Entities Non-Monetary Contributions The objective of this interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE) No significant impact is expected as the Municipality does not have any JCE's at this stage.	Unknown
IGRAP 17	Service Concession Arrangements where a grantor controls a significant residual interest in an Asset The objective of this Interpretation of the Standard is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. No significant impact is expected as the Municipality does not have any Concession Arrangement at this stage.	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

2 USE OF ESTIMATES AND JUDGEMENTS

- 2.1 The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice (GRAP) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and, actual results may differ from these estimates.
- 2.2 Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period which the estimates are revised and in any future affected.

3 PRESENTATION CURRENCY

- 3.1 Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

4 GOING CONCERN ASSUMPTION

- 4.1 The Municipality is deemed a going concern, following an assessment made by management during the compilation of the annual financial statements.

5 RESERVES

5.1 Revaluation Reserve (Non-Distributable Reserve)

- 5.1.1** The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP standards.
- 5.1.2** All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.
- 5.1.3** All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

6 PROPERTY, PLANT AND EQUIPMENT

6.1 Initial Recognition

- 6.1.1** Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.
- 6.1.2** The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.
- 6.1.3** Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.
- 6.1.4** When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.
- 6.1.5** Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.
- 6.1.6** The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.
- 6.1.7** Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

6.2 Subsequent Measurement

- 6.2.1** Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

- 6.2.2 Subsequently all property plant and equipment, including for Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.
- 6.2.3 Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.
- 6.2.4 Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

6.3 Depreciation

- 6.3.1 Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Asset Group	Years	Asset Group	Years
Community Assets - Cemeteries	15 - 50	Infrastructural assets	15 - 30
Community Assets - Parks	25 - 30	Other vehicles	4 - 10
Community Assets - Recreational Facilities	10 - 50	Office equipment	3 - 15
Community Assets - Sporting Facilities	25 - 60	Furniture and fittings	3 - 10
Heritage Assets - Buildings	50	Watercraft	15 - 20
Heritage Assets - Land	Indefinite	Bins and containers	10 - 15
Infrastructure - Electricity	15 - 55	Specialised plant and equipment	10 - 15
Infrastructure - Roads, Pavements, Bridges and Storm Water	15 - 100	Other items of plant and equip	2 - 10
Infrastructure - Sanitation	3 - 50	Security	3 - 5
Infrastructure - Sewerage	10 - 80	Buildings	10 - 50
Infrastructure - Water	10 - 75	Specialist vehicles	10 - 15
Land and Buildings - Land	Indefinite	Landfill sites	1 - 50

- 6.3.2 The above-mentioned estimated useful lives of assets are defined in more detail in Appendix B (Infrastructure Asset Classification) of the Municipality's Asset Management Policy.
- 6.3.3 Depreciation only commences when the asset is available for use, unless stated otherwise.
- 6.3.4 The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

6.4 Incomplete Construction Work

- 6.4.1 Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

6.5 Finance Leases

- 6.5.1 Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

6.6 Land

- 6.6.1 Land is not depreciated as it is deemed to have an indefinite useful life.

6.7 Derecognition of Property, Plant and Equipment

- 6.7.1 The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.
- 6.7.2 The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.
- 6.7.3 Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

7 INTANGIBLE ASSETS

7.1 Initial Recognition

- 7.1.1 Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.
- 7.1.2 Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:
 - 7.1.2.1 It is technically feasible to complete the intangible asset so that it will be available for use;
 - 7.1.2.2 Management intends to complete the intangible asset and use or sell it;
 - 7.1.2.3 There is an ability to use or sell the intangible asset;
 - 7.1.2.4 It can be demonstrated how the intangible asset will generate probable future economic benefits;
 - 7.1.2.5 Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
 - 7.1.2.6 The expenditure attributable to the intangible asset during its development can be reliably measured.
- 7.1.3 Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21.
- 7.1.4 Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

7.2 Subsequent Measurement, Amortisation and Impairment

- 7.2.1 After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

- 7.2.3 After initial recognition, intangible assets are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. If the intangible asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to the revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same intangible asset previously recognised in surplus or deficit.
- 7.2.4 Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.
- 7.2.5 In terms of GRAP 31 intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test.
- 7.2.6 Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.
- 7.2.7 The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	3 - 10

7.3 Derecognition

- 7.3.1 Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

8 INVESTMENT PROPERTY

8.1 Initial Recognition

- 8.1.1 Investment property shall be recognised as an asset when, and only when:

- * it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- * cost or fair value of the investment property can be measured reliably.

- 8.1.2 At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost at date of completion.

- 8.1.3 Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.
- 8.1.4 Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:
- 8.1.4.1 All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
 - 8.1.4.2 Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
 - 8.1.4.3 A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
 - 8.1.4.4 A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.
- 8.1.5 The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:
- 8.1.5.1 Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
 - 8.1.5.2 Property being constructed or developed on behalf of third parties;
 - 8.1.5.3 Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
 - 8.1.5.4 Property that is being constructed or developed for future use as investment property;
 - 8.1.5.5 Property that is leased to another entity under a finance lease;
 - 8.1.5.6 Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
 - 8.1.5.7 Property held for strategic purposes or service delivery.

8.2 Subsequent Measurement - Fair Value Model

- 8.2.1 Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

8.3 Derecognition

- 8.3.1 Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

9 Heritage Assets

- 9.1 Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives. The Municipality assess at each reporting date if there is an indication of impairment. Subsequent to measurement, heritage assets are carried at cost less impairment losses.

10 IMPAIRMENT OF ASSETS

10.1 Impairment of Cash Generating Assets

- 10.1.1 The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.
- 10.1.2 If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.
- 10.1.3 The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.
- 10.1.4 The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.
- 10.1.5 If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.
- 10.1.6 An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.
- 10.1.7 An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- 10.1.8 An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- 10.1.8.1 To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.
- 10.1.9 A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.
- 10.1.10 The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.
- 10.1.11 A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

10.2 Impairment of Non-Cash Generating Assets

- 10.2.1 The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.
- 10.2.2 If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.
- 10.2.3 The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.
- 10.2.4 If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

- 10.2.5 An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.
- 10.2.6 An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
 - 10.2.6.1 To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.
- 10.2.7 A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.
- 10.2.8 The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.
- 10.2.9 A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

11 FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

11.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

11.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

11.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payment (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

11.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

11.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

11.3 De-recognition of Financial Instruments

11.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- * the rights to receive cash flows from the asset have expired; or
- * the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the assets, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

11.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

11.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

12 INVENTORIES

- 12.1 Inventories include consumables stores, maintenance materials, spare parts for plant, equipment and land or property held for sale. Cost is determined by the weighted average method and comprises all costs of purchases, cost of development, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are stated at the lower of cost or net realisable value.
- 12.2 When inventories are sold, exchanged or distributed the carrying amount of those inventories shall be recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when goods are distributed or related service is rendered.
- 12.3 The amount of any write-down of inventories and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any write-down of inventories, arising from an increase in the net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.
- 12.4 Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

13 REVENUE RECOGNITION

13.1 Revenue from Exchange Transactions

- 13.1.1 Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.
- 13.1.2 Service charges relating to electricity and water are based on consumption and a basic charge as per Council Resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.
- 13.1.3 Revenue from the sale of pre-paid electricity and pre-paid water sales are recognised at point of sale and not when prepaid electricity is consumed.
- 13.1.4 Service charges from sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property as set out in the approved Tariff List.
- 13.1.5 Interest and rentals are recognised on a time proportion basis.
- 13.1.6 Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.
- 13.1.7 Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.
- 13.1.8 Revenue from the sale of goods is recognised when the risk is passed to the consumer.
- 13.1.9 Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

13.2 Revenue from Non-Exchange Transactions

- 13.2.1 Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.
- 13.2.2 Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when fines are processed on the system. A debtor is created for all unpaid fines on year-end and recoverability test is performed to calculated any impairments against the debtor.
- 13.2.3 Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.
- 13.2.4 Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.
- 13.2.5 Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

- 13.2.6 All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of 36 months. This assessment is performed annually at 30 June. The Municipality keep record of these unclaimed deposits for three years in the event that a party should submit a claim.

14 CONDITIONAL GRANTS AND RECEIPTS

14.1 Unspent Conditional Government Grants and Receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

The liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- * Unspent conditional grants are recognised as a liability when the grant is received.
- * When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- * The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- * Interest earned on the investment is treated accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

14.2 Unpaid Conditional Government Grants and Receipts

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set of for the creation and utilisation of the grant is receivable:

- * Unpaid conditional grants are recognised as an asset when the grant is receivable.

14.3 Unspent Public Contributions

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- * Unspent public contributions are recognised as a liability when the grant is received.
- * When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- * The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- * Interest earned on the investment is treated accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

15 PROVISIONS

- 15.1** Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).
- 15.2** The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.
- 15.3** Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring the provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.
- 15.4** A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:
- 15.4.1** The Municipality has a detailed formal plan for the restructuring identifying at least:
- * the business or part of business concerned;
 - * the principal locations affected;
 - * the location, function and approximate number of employees who will be compensated for termination of services
 - * the expenditures that will be undertaken; and
 - * when the plan will be implemented.
- 15.4.2** The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.
- 15.5** The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.
- 15.6** If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be derecognised.

16 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The amount of borrowing costs that the Municipality capitalises during the period shall not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

17 ACCUMULATED SURPLUS

The accumulated surplus of the municipality is affected by only the nett profit or loss during the financial year and is maintained in terms of the relevant accounting policies and GRAP 3.

18 UNAUTHORISED EXPENDITURE

- 18.1** Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19 IRREGULAR EXPENDITURE

- 19.1** Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20 FRUITLESS AND WASTEFUL EXPENDITURE

- 20.1** Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21 COMPARATIVE INFORMATION

21.1 Budget comparatives:

- 21.1.1** The presentation of budget information was prepared in accordance with the requirements of GRAP 24 as well as the formats contained in the Municipal Budget Reporting Regulations. The presentation of budget information is in line with the basis of accounting per the GRAP Framework.

21.2 Prior year comparatives:

- 21.2.1** When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

22 LEASES

22.1 The Municipality as Lessee

- 22.1.1 Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.
- 22.1.2 Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.
- 22.1.3 Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-line expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative on the time pattern of the lessee's benefit from the use of the leased asset.

22.2 The Municipality as Lessor

- 22.2.1 Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rebate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.
- 22.2.2 Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-line revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

23 EMPLOYEE BENEFITS

23.1 Post Retirement Medical Obligations

- 23.1.1 The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. After retirement Council pays 70% as contribution and the remaining 30% are paid by the retired members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 - Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

23.1.2 These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling the employee to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

23.1.3 Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

23.2 Long Service Awards

23.2.1 Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

23.2.2 Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

23.3 Provision for Staff Leave

23.3.1 Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

23.3.2 Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

23.3.3 Accumulated leave is vesting.

23.4 Performance Bonuses

23.4.1 A provision, in respect of a liability relating to the anticipated costs of performance bonuses payable to Section 56 & 57 employees, is recognised as it accrue to Section 56 & 57 employees.

23.5 Pension and retirement fund obligations

23.5.1 The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-

24 INTERNAL FINANCING OF PROPERTY, PLANT AND EQUIPMENT

- 24.1** In order to finance the provision of infrastructure and other items of property, plant and equipment, amounts are provided from cash surpluses generated and transferred to the Capital Replacement Reserve (CRR).

25 CONTINGENT LIABILITIES

- 25.1** A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured within sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

26 CONTINGENT ASSET

- 26.1** A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent asset could also be a present asset that arises from past events, but is not recognised because it is not probable that an inflow of resources embodying economic benefits will be required to the asset or the amount of the asset cannot be measured within sufficient reliability.

Management judgement is required when recognising and measuring contingent assets.

27 COMMITMENTS

- 27.1** Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

28 RELATED PARTIES

- 28.1** Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel of the municipality are those persons, directly and indirectly, having authority and responsibility for planning, directing and controlling the activities of the Municipality. Key management is defined as the Municipal Manager, Chief Financial Officer and all other Section 56 & 57 managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.
- 28.2** Any services rendered to and payments made to key management personnel and councillors other than their monthly remuneration will be disclosed appropriate.

29 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

29.1 Post retirement medical obligations and Long service awards

- 29.1.1 The cost of post retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in the note 11 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

29.2 Impairment of Receivables

- 29.2.1 The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due. This was performed per identifiable are categories across all debtors.

29.3 Property, Plant and Equipment

- 29.3.1 The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at the time.
- 29.3.2 Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.
- * The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
 - * Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
 - * The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- * cost of item with a similar nature currently in the Municipality's asset register;
- * cost of items with similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other Municipality's asset register is considered to be accurate;
- * cost as supplied by suppliers.

For deemed cost applied to land and building as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of assets.

29.4 Investment Property

29.4.1 The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

29.4.2 Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

* The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.

* The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

29.5 Provision and Contingent Liabilities

29.5.1 Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

29.6 Revenue Recognition

29.6.1 Accounting Policy 13.1 on Revenue from Exchange Transactions and Accounting Policy 13.2 on Revenue from Non-Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

29.6.2 In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed.

29.6.3 Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when fines are processed on the system. A debtor is created for all unpaid fines on year-end and recoverability test is performed to calculate any impairments against the debtor.

29.6.4 The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

29.7 Provision for Landfill Sites

29.7.1 The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligation relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

29.7.2 Management referred to the following when making assumptions regarding provisions:

* Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

* Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

29.8 Provision for Staff Leave

- 29.8.1 Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

29.9 Provision for Performance Bonuses

- 29.9.1 The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

29.10 Componentisation of Infrastructure Assets

- 29.10.1 All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to date of initially adopting the standard of GRAP.

30 DISTRIBUTION LOSSES

- 30.1 Electricity distribution losses comprises of technical and non-technical losses. Technical losses in electricity are experience due to natural resistivity of the conductors and the energisation of transformers. Non-technical losses are losses due to theft, faulty meters and billing errors. Calculation of the technical losses of the municipal network which consists of urban and rural networks, are calculated applying the methodology in the NRS 080:2004. Non-technical losses is calculated by subtracting technical losses from the total losses.
- 30.2 Water distribution losses comprises of technical and non-technical losses. Technical losses are experience during the purification process of the water. Non-technical losses are losses due to theft, faulty meters, pipe bursts and billing errors. Non-technical losses is calculated by subtracting technical losses from the total losses.

31 VALUE ADDED TAX

- 31.1 Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.
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//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

1.1 PROPERTY, PLANT AND EQUIPMENT

30 June 2014	Land and Buildings R	Infrastructure R	Community R	Other R	Total R
Reconciliation of Carrying Value					
Carrying Values at 1 July 2013	158 753 427	1 313 419 603	62 435 801	42 147 598	1 576 756 430
Cost	187 093 393	1 606 524 790	77 440 884	76 150 295	1 947 209 361
Accumulated Depreciation	(28 339 966)	(293 105 187)	(15 005 082)	(34 002 696)	(370 452 931)
Acquisitions	1 195 606	4 036 470	750 535	4 597 411	10 580 021
Capital Under Construction	1 940 490	72 819 249	9 627 321	-	84 387 059
Depreciation	(5 211 688)	(60 252 156)	(3 222 773)	(13 139 229)	(81 825 847)
Carrying Values of disposals	-	(13 173)	-	(293 451)	(306 624)
Cost	-	(19 760)	-	(932 323)	(952 082)
Accumulated Depreciation	-	6 587	-	638 872	645 459
Impairment loss	(1 088 338)	(9 063 873)	(1 523 090)	(33 784)	(11 709 085)
Carrying Values at 30 June 2014	155 589 496	1 320 946 120	68 067 794	33 278 545	1 577 881 955
Cost	190 229 488	1 683 360 750	87 818 739	79 815 382	2 041 224 359
Accumulated Depreciation	(34 639 992)	(362 414 629)	(19 750 946)	(46 536 838)	(463 342 405)

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

1.1 PROPERTY, PLANT AND EQUIPMENT

30 June 2013	Land and Buildings R	Infrastructure R	Community	Other R	Total R
Reconciliation of Carrying Value					
Carrying Values at 1 July 2012	160 892 986	1 328 688 047	54 059 606	44 989 516	1 588 630 155
Cost	181 245 502	1 561 869 685	65 519 341	64 786 926	1 873 421 453
Balance Previously Reported	173 728 007	1 594 056 514	58 251 094	64 786 926	1 890 822 541
Correction of Error - refer to note 36.10	7 517 495	(32 186 829)	7 268 247	-	(17 401 088)
Accumulated Depreciation	(20 352 515)	(233 181 638)	(11 459 735)	(19 797 410)	(284 791 299)
Balance Previously Reported	(17 595 010)	(244 505 307)	(9 410 363)	(19 797 410)	(291 308 089)
Correction of Error - refer to note 36.10	(2 757 505)	11 323 669	(2 049 372)	-	6 516 791
Acquisitions	5 381 265	19 152 920	7 483 316	7 648 444	39 665 943
Balance Previously Reported	2 577 774	25 518 658	7 480 694	7 468 528	43 045 654
Correction of Error - refer to note 36.10	-	10 135	-	-	10 135
Transferred from/to Under Construction	2 803 490	(6 373 251)	-	179 915	(3 389 846)
Transferred between Additions	-	(2 622)	2 622	-	0
Capital Under Construction	466 626	25 502 186	4 438 227	4 177 059	34 584 098
Balance Previously Reported	3 270 214	19 013 560	4 688 889	4 177 059	31 149 722
Correction of Error - refer to note 36.10	(98)	115 375	(70 746)	-	44 531
Transferred from/to Additions	(2 803 490)	6 373 251	(179 915)	-	3 389 846
Depreciation	(5 183 960)	(59 632 217)	(3 080 684)	(14 484 380)	(82 381 241)
Balance Previously Reported	(4 509 888)	(62 638 679)	(2 700 523)	(14 488 696)	(84 337 785)
Correction of Error - refer to note 36.10	(674 072)	3 006 462	(380 162)	4 316	1 956 544

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

1.1 PROPERTY, PLANT AND EQUIPMENT

Carrying Values of disposals	-	-	-	(183 041)	(183 041)
Cost	-	-	-	(462 134)	(462 134)
Accumulated Depreciation	-	-	-	279 093	279 093
Impairment loss	(2 803 490)	(291 332)	(464 663)	-	(3 559 485)
Balance Previously Reported	-	(296 558)	(473 001)	-	(769 560)
Correction of Error - refer to note 36.10	(2 803 490)	5 226	8 338	-	(2 789 926)
Carrying Values at 30 June 2013	158 753 427	1 313 419 603	62 435 801	42 147 598	1 576 756 430
Cost	187 093 393	1 606 524 790	77 440 884	76 150 295	1 947 209 361
Accumulated Depreciation	(28 339 966)	(293 105 187)	(15 005 082)	(34 002 696)	(370 452 931)

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the Municipality.

Capital Under Construction of R 39 012 060 (2013: R 11 523 077) is included in the opening balance of Property, Plant and Equipment. These capital will be included as additions in the asset register when the projects are completed.

The Municipality did not pledge any of its assets as security.

Impairment Losses on Property, Plant and Equipment to the amount of R 11 709 085 (2013: R 3 559 485) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in note 27

The amount disclosed for impairment losses on Property, Plant and Equipment is in respect of impairment losses caused by variance accidents and damages that occurred during the year. Where accidents were applicable cost was recovered either by means of insurance claims or from the accused.

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
1.2	INTANGIBLE ASSETS		
	Carrying value as at 1 July	1 255 222	1 700 451
	Cost	5 710 377	5 250 158
	Accumulated amortisation and impairment losses	(4 455 155)	(3 549 708)
	Acquisitions	30 000	460 218
	Amortisation for the year	(978 272)	(905 447)
	Carrying value as at 30 June	306 949	1 255 222
	Cost	5 740 377	5 710 377
	Accumulated amortisation and impairment losses	(5 433 428)	(4 455 155)
	The amortisation expense has been included in the line item Depreciation and Amortisation in the statement of Financial Performance 27		
	All of the Municipality's Intangible Assets are held under freehold interest and no Intangible Assets had been pledged as security for any liabilities of the Municipality.		
	No restrictions apply to any of the Intangible Assets of the Municipality.		
	The Municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.		
	No impairment losses have been recognised on Intangible Assets of the Municipality at the reporting		
1.3	INVESTMENT PROPERTY AT FAIR VALUE		
	Reconciliation of fair value		
	Balance as at 1 July	197 429 696	186 783 062
	Balance Previously Reported		221 585 950
	Correction of Error - refer to note 36.11		(34 802 888)
	Acquisitions	-	-
	Balance Previously Reported		200 000
	Correction of Error - refer to note 36.11		(200 000)
	Fair value adjustment	12 043 212	10 646 634
	Balance Previously Reported		1 326 000
	Correction of Error - refer to note 36.11		9 320 634
	Carrying value as at 30 June	209 472 908	197 429 696

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
	All of the Municipality's Investment Property is held under freehold interest and no Investment Property had been pledged as security for any liabilities of the municipality. The effective date of the revaluations was 30 June 2014. Revaluations were performed by independent valuers, DDP Valuers, which are not connected to the entity and have recent experience in location and ategory of the investment property being valued. Properties were valued on the comparative sales method of valuation, based on the active market values in the area. The Fair Value of Investment Properties was determined by a qualified valuer based on current market prices. The current demand in property in Upington resulted in an increase in property prices. There are no contractual obligations on Investment Property. No impairment losses have been recognised on Investment Property of the Municipality at the		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

1.4 HERITAGE ASSETS

30 June 2014	Cultural Land and Buildings R	Historical Sites R	National Monuments R	Total R
Reconciliation of Carrying Value				
Carrying Values at 1 July 2013	4 273 000	2	3	4 273 005
Cost	4 273 000	2	3	4 273 005
Accumulated Depreciation	-	-	-	-
Acquisitions	-	-	-	-
Depreciation	-	-	-	-
Carrying Values at 30 June 2014	4 273 000	2	3	4 273 005
Cost	4 273 000	2	3	4 273 005
Accumulated Depreciation	-	-	-	-

30 June 2013	Cultural Land and Buildings R	Historical Sites R	National Monuments R	Total R
Reconciliation of Carrying Value				
Carrying Values at 1 July 2012	4 273 000	2	3	4 273 005
Cost	4 273 000	2	3	4 273 005
Accumulated Depreciation	-	-	-	-
Acquisitions	-	-	-	-
Depreciation	-	-	-	-
Carrying Values at 30 June 2013	4 273 000	2	3	4 273 005
Cost	4 273 000	2	3	4 273 005
Accumulated Depreciation	-	-	-	-

All of the Municipality's Heritage Assets are held under freehold interest and no Heritage Assets had been pledged as security for any liabilities of the municipality.

The municipality applied directive 4 to value their heritage assets.

No restrictions apply to any of the Heritage Assets of the Municipality.

No impairment losses have been recognised on Heritage Assets of the Municipality at the reporting date.

The Municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R	
2	NON-CURRENT RECEIVABLES			
	Sundry Loans	28 198	34 961	
	Less: Current portion transferred to current assets	(4 400)	(6 263)	
	Total Non-Current Receivables	23 798	28 698	
	The Municipality does not hold deposits or any other security for its Long-Term Receivables.			
No Long-Term Receivables have been pledged as security for the Municipality's financial liabilities.				
3	INVENTORY			
	Consumable Stores – at Cost	5 633 100	5 816 772	
	Unsold water - at Cost	141 676	234 314	
	Total Inventory	5 774 777	6 051 085	
	Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.			
No inventories have been pledged as collateral for Liabilities of the Municipality.				
An inventory surplus to the amount of R 82 917 (2013 - R 22 774 loss) have been accounted during the year under review. .				
Included in consumable stock, is slow moving stock (stock showing no movement for the last 365 days) amounting to R 1 049 437 (2013 - R 1 069 925).				
The value and quantity of unsold water at year-end was calculated on a management estimate based on the % of the capacity of the water storage facilities and the cost per kl water purified during the financial year.				
4	TRADE RECEIVABLES			
	As at 30 June 2014	Gross Balances	Provision for Bad Debts	Net Balance
	Trade receivables from Exchange Transactions	54 600 056	(8 473 327)	46 126 729
	Trade receivables from Non-Exchange Transactions	5 637 685	(1 369 243)	4 268 442
	Total Trade Receivables	60 237 741	(9 842 570)	50 395 171

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R	
	Trade receivables from Exchange Transactions	Gross Balances R	Provision for Bad Debts R	Net Balance R
	Consumer Debtors per Suburb			
	Akademia	176 050	(11 817)	164 233
	Dakotaweg	1 139 956	(220 383)	919 573
	Blydeveld	360 157	(22 766)	337 391
	Commonage	2 621 378	(228 488)	2 392 890
	Dakotaweg	51 844	(7 729)	44 115
	Die Rand	2 007 134	(144 804)	1 862 330
	Florapark	346 396	(23 898)	322 498
	Gordonia Farming Areas	138 616	(36 057)	102 559
	Industrial Areas	2 520 288	(152 090)	2 368 198
	Kalksloot	242 879	(62 619)	180 260
	Kameelmond / Lemoendraai	200 706	(28 685)	172 020
	Karos	262 765	(180 113)	82 652
	Karos Farming Areas	80 326	(41 492)	38 834
	Keidebees	785 691	(52 247)	733 444
	Kenhardt Farming Areas	468 444	(49 264)	419 180
	Lambrechtsdrift	168 311	(136 831)	31 480
	Leerkrans	165 031	(79 709)	85 323
	Leseding	4 729	(2 315)	2 414
	Louisvale Dorp	809 630	(78 651)	730 979
	Louisvaleweg	1 799 548	(598 668)	1 200 881
	Middelpos	866 001	(60 890)	805 111
	Morning Glory	995 881	(206 958)	788 923
	Ntsekelelo	13	-	13
	Olyvenhoutsdrift Farming Areas	511 969	(47 392)	464 577
	Oosterville	867 856	(52 126)	815 729
	Uppington	2 670 810	(1 544 797)	1 126 013
	Paballelo	4 587 788	(1 738 046)	2 849 742
	Progress	2 303 478	(519 475)	1 784 002
	Raaswater	1 520 719	(1 224 876)	295 843
	Riverside	1 576 747	(107 043)	1 469 703
	Rosedale	2 013 411	(444 705)	1 568 706
	Sesbrugge / Klippunt	83 571	(5 577)	77 994
	Town Centre / Business Area	4 650 826	(314 240)	4 336 586
	Uppington Farming Areas	184 761	(13 339)	171 422
	Vaalkoppies Farming Areas	54 707	(35 234)	19 473
	Sub-Total	37 238 418	(8 473 327)	28 765 091
	Provision for income not yet billed	15 351 095	-	15 351 095
	Sub-Total	52 589 513	(8 473 327)	44 116 186
	Plus: Amounts received in advance	2 010 543	-	2 010 543
	Total	54 600 056	(8 473 327)	46 126 729

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
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	Trade receivables from Non-Exchange Transactions	Gross Balances	Provision for Bad Debts	Net Balance
	As at 30 June 2014	R	R	R
	Consumer Debtors per group			
	Akademia	451	(30)	421
	Dakotaweg	127 549	(24 659)	102 891
	Blydeveld	170 423	(10 773)	159 651
	Commonage	94 595	(8 245)	86 350
	Dakotaweg	393	(59)	334
	Die Rand	480 221	(34 645)	445 575
	Florapark	80 863	(5 579)	75 284
	Gordonia Farming Areas	479 695	(124 778)	354 917
	Industrial Areas	326 324	(19 692)	306 631
	Kalksloot	715	(184)	531
	Kameelmond / Lemoendraai	63 450	(9 068)	54 382
	Karos	(2 420)	-	(2 420)
	Karos Farming Areas	222 676	(115 021)	107 655
	Keidebees	358 927	(23 868)	335 059
	Kenhardt Farming Areas	144 247	(15 170)	129 078
	Lambrechtsdrift	2 155	(1 752)	403
	Leerkrans	7 379	(3 564)	3 815
	Leseding	-	-	-
	Louisvale Dorp	7 062	(686)	6 376
	Louisvaleweg	17 498	(5 821)	11 677
	Middelpos	278 430	(19 577)	258 853
	Morning Glory	76 362	(15 869)	60 493
	Ntsekelelo	60	-	60
	Olyvenhoutsdrift Farming Areas	89 868	(8 319)	81 549
	Oosterville	253 865	(15 248)	238 617
	Uppington	243 630	(140 916)	102 714
	Paballelo	111 484	(42 235)	69 249
	Progress	95 509	(21 539)	73 970
	Raaswater	(2 670)	-	(2 670)
	Riverside	193 429	(13 132)	180 297
	Rosedale	52 096	(11 507)	40 589
	Sesbrugge / Klippunt	688	(46)	642
	Town Centre / Business Area	839 511	(56 723)	782 789
	Uppington Farming Areas	41 406	(2 989)	38 417
	Vaalkoppies Farming Areas	153 909	(99 124)	54 784
	Sub-Total	5 009 779	(850 818)	4 158 961
	Plus: Amounts received in advance	-	-	-
	Traffic Fines	627 906	(518 426)	109 480
	Total	5 637 685	(1 369 243)	(4 268 442)

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R	
	As at 30 June 2013	Gross Balances	Provision for Bad Debts	Net Balance
	Trade receivables from Exchange Transactions	50 938 133	(9 218 913)	41 719 220
	Trade receivables from Non-Exchange Transactions	5 229 613	(1 155 646)	4 073 966
	Total Trade Receivables	56 167 746	(10 374 559)	45 793 187
	Trade receivables from Exchange Transactions	Gross Balances	Provision for Bad Debts	Net Balance
		R	R	R
	Consumer Debtors per group			
	Akademia	201 752	(13 669)	188 082
	Dakotaweg	1 116 478	(249 174)	867 305
	Blydeveld	361 894	(25 668)	336 227
	Commonage	2 308 130	(195 540)	2 112 590
	Dakotaweg	23 280	(4 015)	19 265
	Die Rand	1 761 009	(171 866)	1 589 144
	Florapark	331 469	(24 973)	306 497
	Gordonia Farming Areas	106 870	(25 372)	81 498
	Industrial Areas	4 331 021	(459 042)	3 871 979
	Kalksloot	235 495	(76 178)	159 317
	Kameelmond / Lemoendraai	253 934	(59 501)	194 433
	Karos	145 701	(96 116)	49 585
	Karos Farming Areas	98 667	(54 169)	44 498
	Keidebees	716 588	(53 500)	663 088
	Kenhardt Farming Areas	641 497	(82 774)	558 723
	Lambrechtsdrift	75 992	(44 219)	31 773
	Leerkrans	90 749	(36 173)	54 576
	Leseding	3 459	(1 453)	2 006
	Louisvale Dorp	1 103 673	(166 878)	936 795
	Louisvaleweg	2 254 078	(1 161 262)	1 092 816
	Middelpos	886 320	(72 568)	813 752
	Morning Glory	645 439	(110 523)	534 916
	Ntsekelelo	9	-	9
	Olyvenhoutsdrift Farming Areas	542 814	(64 037)	478 777
	Oosterville	831 581	(57 513)	774 068
	Upington	2 398 757	(2 015 889)	382 868
	Paballelo	3 393 445	(1 310 984)	2 082 461
	Balance Previously Reported	3 411 765	(1 310 984)	2 100 782
	Correction of Error - refer to note 36.13	(18 321)	-	(18 321)
	Progress	1 888 356	(450 564)	1 437 792
	Raaswater	812 889	(569 933)	242 956
	Riverside	3 278 819	(829 471)	2 449 348
	Rosedale	1 226 845	(208 981)	1 017 865
	Sesbrugge / Klippunt	82 488	(5 325)	77 163
	Town Centre / Business Area	5 529 291	(475 595)	5 053 696

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R	
	Uppington Farming Areas	169 994	(12 688)	157 306
	Vaalkoppies Farming Areas	49 664	(33 300)	16 363
	Sub-Total	37 898 449	(9 218 913)	28 679 536
	Provision for income not yet billed	12 033 441	-	12 033 441
	Balance Previously Reported	14 158 368	-	14 158 368
	Correction of Error - refer to note 36.13	(2 124 928)	-	(2 124 928)
		49 931 889	(9 218 913)	40 712 977
	Plus: Amounts received in advance	1 006 244	-	1 006 244
	Balance Previously Reported	987 923	-	987 923
	Correction of Error - refer to note 36.13	18 321	-	18 321
	Total	50 938 133	(9 218 913)	41 719 220
	Trade receivables from Non-Exchange Transactions	Gross Balances	Provision for Bad Debts	Net Balance
	As at 30 June 2013	R	R	R
	Consumer Debtors per group			
	Akademia	(286)	(13)	(299)
	Dakotaweg	110 393	(26 162)	84 231
	Blydeveld	171 576	(13 462)	158 114
	Commonage	130 199	(11 605)	118 594
	Dakotaweg	1 528	(361)	1 167
	Die Rand	396 728	(49 022)	347 706
	Florapark	20 823	(7 657)	13 166
	Gordonia Farming Areas	370 850	(90 228)	280 622
	Industrial Areas	223 365	(30 892)	192 473
	Kalksloot	(2 967)	(1 220)	(4 187)
	Kameelmond / Lemoendraai	101 130	(24 100)	77 029
	Karos	1 523	(2 551)	(1 027)
	Karos Farming Areas	215 915	(121 728)	94 188
	Keidebees	373 349	(30 109)	343 240
	Kenhardt Farming Areas	62 102	(14 630)	47 473
	Lambrechtsdrift	1 018	(633)	385
	Leerkrans	3 196	(1 682)	1 514
	Leseding	-	-	-
	Louisvale Dorp	(13 347)	(4 528)	(17 874)
	Louisvaleweg	125 129	(66 024)	59 105
	Middelpos	280 286	(28 520)	251 767
	Morning Glory	53 245	(10 496)	42 748
	Ntsekelelo	33	-	33
	Olyvenhoutsdrift Farming Areas	94 129	(13 866)	80 263
	Oosterville	293 777	(23 363)	270 414
	Uppington	261 594	(225 178)	36 416
	Paballelo	80 226	(39 140)	41 085
	Progress	118 701	(31 161)	87 540
	Raaswater	7 418	(7 979)	(561)
	Riverside	407 050	(106 267)	300 783
	Rosedale	16 281	(8 287)	7 994
	Sesbrugge / Klippunt	(660)	-	(660)
	Town Centre / Business Area	643 213	(80 016)	563 197

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
	Uppington Farming Areas	40 047	(3 568)
	Vaalkoppies Farming Areas	118 252	(81 199)
	Sub-Total	4 705 817	(1 155 646)
	Amounts received in advance	140 786	-
	Traffic Fines	383 010	-
	Balance Previously Reported	-	-
	Correction of Error - refer to note 36.13	383 010	-
	Total	5 229 613	(1 155 646)
<i>The Municipality did not pledge any of its Receivables as security for borrowing purposes.</i>			
Ageing of Receivables from Exchange Transactions:			
<u>Electricity: Ageing</u>			
	Current (0 - 30 days)	8 983 974	9 240 091
	31 - 60 Days	91 357	558 364
	61 - 90 Days	61 621	766 829
	91 - 120 Days	61 556	566 990
	+ 120 Days	1 481 928	1 900 738
		10 680 436	13 033 012
<u>Water: Ageing</u>			
	Current (0 - 30 days)	2 924 335	2 473 898
	31 - 60 Days	364 525	1 030 263
	61 - 90 Days	386 679	604 903
	91 - 120 Days	385 868	521 888
	+ 120 Days	5 501 236	4 864 876
		9 562 643	9 495 828
<u>Refuse: Ageing</u>			
	Current (0 - 30 days)	1 560 114	955 509
	31 - 60 Days	367 143	226 903
	61 - 90 Days	271 064	161 873
	91 - 120 Days	218 406	135 321
	+ 120 Days	1 747 185	1 478 818
		4 163 913	2 958 425
<u>Sewerage: Ageing</u>			
	Current (0 - 30 days)	1 654 488	1 228 730
	31 - 60 Days	305 350	229 805
	61 - 90 Days	209 958	168 375
	91 - 120 Days	161 220	112 704
	+ 120 Days	1 163 533	1 209 105
		3 494 549	2 948 719

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
	<u>VAT: Ageing</u>		
	Current (0 - 30 days)	2 147 037	2 025 299
	31 - 60 Days	200 831	375 683
	61 - 90 Days	183 051	300 738
	91 - 120 Days	174 203	251 046
	+ 120 Days	1 337 402	1 230 493
		4 042 523	4 183 259
	<u>Other: Ageing</u>		
	Current (0 - 30 days)	709 814	415 031
	31 - 60 Days	242 778	347 216
	61 - 90 Days	327 581	218 345
	91 - 120 Days	342 242	205 244
	+ 120 Days	3 671 940	4 093 370
		5 294 355	5 279 206
	<u>Total: Ageing</u>		
	Current (0 - 30 days)	17 979 762	16 338 559
	31 - 60 Days	1 571 984	2 768 235
	61 - 90 Days	1 439 954	2 221 062
	91 - 120 Days	1 343 495	1 793 193
	+ 120 Days	14 903 224	14 777 400
		37 238 418	37 898 449
	<i>The total ageing does not include the provision for income not yet billed of R 15 968 656 (2013: R 14 158 368) and income received in advance of R 2 010 543 (2013: R 1 006 244).</i>		
	Ageing of Receivables from Non-Exchange Transactions:		
	<u>Rates: Ageing</u>		
	Current (0 - 30 days)	3 096 473	2 073 040
	31 - 60 Days	104 494	195 921
	61 - 90 Days	83 884	325 244
	91 - 120 Days	68 393	108 647
	+ 120 Days	1 656 535	2 002 966
		5 009 779	4 705 817
	<i>The ageing does not include income received in advance of R 0 (2013: R 140 786).</i>		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
	<i>Payments received are being prioritised in the following order:</i>		
	- Property Rates		
	- Refuse and Sanitation		
	- Water		
	- Electricity		
	Reconciliation of the Provision for Impairment		
	Balance at beginning of the year	10 374 559	17 087 173
	Provision for bad debt	240 590	6 401 289
	Amounts written off as uncollectable	(1 291 004)	(13 113 902)
	Balance at the end of the year	9 324 145	10 374 559
	Receivables from Exchange Transactions	8 473 327	9 218 913
	Receivables from Non-Exchange Transactions	850 818	1 155 646
	<i>Receivables from Exchange Transactions are billed monthly. No interest is charged on Receivables until the next billing period in the following month. Thereafter interest is charged at a rate determined by Council on the outstanding balance.</i>		
	<i>Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.</i>		
	<i>The Municipality did not pledge any of its Receivables as security for borrowing purposes.</i>		
	<i>Concentrations of credit risk with respect to trade receivables are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's trade receivables.</i>		
5	OTHER RECEIVABLES		
	Sundry Debtors	707 687	577 534
	Balance Previously Reported		377 534
	Correction of Error - refer to note 36.3		200 000
	Monies Receivable - Various Departments	-	3 945 593
	Balance Previously Reported		3 969 393
	Correction of Error - refer to note 36.3		(23 800)
	Total Other Receivables	707 687	4 523 127
	<i>Due to the short term nature of these items, the carrying value approximated the fair value</i>		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
6	UNPAID CONDITIONAL GRANTS AND RECEIPTS		
	<i>Conditional Grants From Other Spheres of Government</i>		
	FMG	-	-
	Balance Previously Reported		929 623
	Correction of Error - refer to note 36.5		(929 623)
	MSIG	-	-
	Balance Previously Reported		591 332
	Correction of Error - refer to note 36.5		(591 332)
	Health	2 380 659	3 379 659
	INEP	-	800 000
	Balance Previously Reported		-
	Correction of Error - refer to note 36.5		800 000
	Other	185 183	1 118 001
	Community Sport for Youth Development	2 615 600	-
	Total Unpaid Conditional Grants and Receipts	5 181 441	5 297 660
7	SHORT TERM INVESTMENTS		
	Total short-term Investments	3 534 663	19 345 659
	Balance Previously Reported		19 319 186
	Correction of Error - refer to note 36.4		26 473
	Less: Investments qualifying as Cash and Cash Equivalents	(2 865 751)	(18 710 945)
	Balance Previously Reported		(19 319 186)
	Correction of Error - refer to note 36.4		608 241
	Total Short Term Investments	668 913	634 714
	<i>Investments with a maturity term of less than 3 months (90 days) are reclassified and disclosed as cash and cash equivalents.</i>		
	<i>It is council policy to invest surplus cash for periods not exceeding 12 months.</i>		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
8	CASH AND CASH EQUIVALENTS		
	Cashier's Float	3 840	3 840
	Petty Cash	2 000	2 000
	Investments qualifying as Cash and Cash Equivalents	2 865 751	18 710 945
	Balance Previously Reported		19 319 186
	Correction of Error - refer to note 36.14		(608 241)
	Total Cash and Cash Equivalents	2 871 591	18 716 785
	Investments qualifying as Cash and Cash Equivalents:		
	ABSA Bank: Masincidane Biblioteekprojek 20-7057-6017	-	1 324 210
	ABSA Bank: //Khara Hais Municipality 90-8329-4211	4 465	1 758
	ABSA Bank: Beplanning / Opmeting Lemoendraai 20-6231-7366	-	20 174
	ABSA Bank: Vestiging van Plakkers 20-6231-7390	-	36 979
	ABSA Bank: Opgradering van Creche 20-6231-7413	-	9 114
	ABSA Bank: Paballelo Biblioteek 20-6231-7421	-	125 363
	ABSA Bank: Skenking Pro Administrasie 20-6231-7447	-	5 401
	ABSA Bank: Ontw. Strategie Louisvaleweg 20-6231-7455	-	15 590
	ABSA Bank: GOP Werkspan Samestelling 20-6231-7471	-	136 076
	ABSA Bank: //Khara Hais Municipality 20-7317-3551	278 112	17 036 280
	ABSA Bank: //Khara Hais Municipality 92-9233-7549	5 321	-
	ABSA Bank: //Khara Hais Municipality 92-9502-3329	38 139	-
	03/76-6201-		
	Nedbank: //Khara Hais Municipality 3367/00087	2 539 714	-
		2 865 751	18 710 945
9	NON-CURRENT BORROWINGS		
	Annuity Loans	145 667 638	149 482 757
	Balance Previously Reported		150 840 942
	Correction of Error - refer to note 36.7		(1 358 185)
	Less : Current portion transferred to current liabilities	(23 229 362)	(15 919 835)
	Balance Previously Reported		(19 974 288)
	Correction of Error - refer to note 36.12		4 054 453
	Total Non-Current Borrowings	122 438 276	133 562 922
	<i>(Refer to Appendix A for more detail on long-term liabilities)</i>		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
10	EMPLOYEE BENEFITS		
	Post Retirement Medical Benefits	69 371 999	67 943 204
	Long-Service Awards	11 454 999	11 064 038
	Total Non-current Employee Benefit Liabilities	80 826 998	79 007 241
10.1	POST RETIREMENT MEDICAL BENEFITS	2014	2013
	Balance 1 July	69 965 768	62 576 150
	Contribution for the year	3 756 900	3 358 826
	Interest Cost	6 059 500	4 881 855
	Expenditure for the year	(2 040 754)	(1 874 885)
	Actuarial (Gain) / Loss	(5 837 414)	1 023 822
		71 904 000	69 965 768
	Less: Transfer of Current	(2 532 000)	(2 022 564)
	Net Post-Employment Health Care Benefit Liability	69 372 000	67 943 204
10.2	LONG SERVICE AWARDS		
	Balance 1 July	12 195 213	10 881 915
	Contribution for the year	1 156 901	1 336 912
	Interest Cost	794 436	668 102
	Expenditure for the year	(199 662)	(934 205)
	Actuarial (Gain) / Loss	(868 888)	94 490
	Past Service Cost	-	147 999
		13 078 000	12 195 213
	Less: Transfer of Current	(1 623 000)	(1 131 175)
	Net Long Service Awards Liability	11 455 000	11 064 038
	TOTAL NON-CURRENT EMPLOYEE BENEFITS		
	Balance 1 July	82 160 981	73 458 065
	Contribution for the year	4 913 801	4 695 738
	Interest Cost	6 853 936	5 549 957
	Expenditure for the year	(2 240 416)	(2 809 090)
	Actuarial (Gain) / Loss	(6 706 302)	1 118 312
	Past Service Cost	-	147 999
		84 982 000	82 160 981
	Less: Transfer of Current	(4 155 000)	(3 153 739)
	Net Post-Employment Health Care Benefit Liability	80 827 000	79 007 242

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
	Post Retirement Benefits		
	The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
	- In-service (employees) members	415	435
	- In-service (employee) non-members	396	419
	- Continuation members (e.g. Retirees, widows, orphans)	70	65
	Total	881	919
	The liability in respect of past service has been estimated to be as follows:		
	- In-service members	32 063 000	30 070 952
	- Continuation members	29 404 000	30 382 641
	- In-Service non-members	10 437 000	9 512 175
		71 904 000	69 965 768
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		2012 R	2011 R
	Members	62 576 150	54 950 194
	Total Liability	62 576 150	54 950 194
		2014	2013
	Experience adjustments were calculated as follows:		
	Liabilities: (Gain) / Loss	(5 837 414)	1 023 822
	Assets: Gain / (Loss)	-	-
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		2012	2011
	Liabilities: (Gain) / Loss	1 670 123	6 765 002
	Assets: Gain / (Loss)	-	-
	The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.		
	As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.		
	Therefore, although the Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.		
	The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
	- Bonitas - Hosmed - LA Health - Keyhealth - Samwumed - Fed Health		
	Key actuarial assumptions used:		
	The principal assumptions used for the purposes of the actuarial valuations were as follows:		
	Rate of interest		
	Discount rate	8.94%	8.78%
	CPI (Consumer Price Inflation)	7.05%	6.19%
	Health Care Cost Inflation Rate	8.05%	7.69%
	Net Effective Discount Rate	0.82%	1.01%
	Mortality rates		
	The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries		
	Normal retirement age		
	It has been assumed that in-service members will retire at the age of 65, which then implicitly allows for expected rates of early and ill-health retirement.		
	The amounts recognised in the Statement of Financial Position are as follows:		
	Present value of fund obligations	71 904 000	69 965 768
	Net liability/(asset)	71 904 000	69 965 768

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
	The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155(a)		
	Balance 1 July	69 965 768	62 576 150
	Contribution for the year	3 756 900	3 358 826
	Interest Cost	6 059 500	4 881 855
	Expenditure for the year	(2 040 754)	(1 874 885)
	Actuarial (Gain) / Loss	(5 837 414)	1 023 822
		<u>71 904 000</u>	<u>69 965 768</u>
	Less: Transfer of Current	(2 532 000)	(2 022 564)
	Net Post-Employment Health Care Benefit Liability	<u>69 372 000</u>	<u>67 943 204</u>
	Sensitivity Analysis on the Accrued Liability		
		In-Service members liability R	Continuation member liability R
	Assumption		Total liability R
	Central Assumptions	42 500 000.	29 404 000.
	The effect of movements in the assumptions are as follows:		
		In-Service members liability R	Continuation member liability R
	Assumptions	Change	Total liability R
			Change %
	Health care inflation	1%	43 390 000
	Health care inflation	-1%	41 033 000
	Post-Retirement mortality	-1 year	43 420 000
	Average retirement age	-1 year	47 808 000
	Withdrawal Rate	-50%	45 443 000
			30 065 000
			28 526 000
			30 247 000
			29 404 000
			77 212 000
			29 404 000
			74 847 000
	Long Service Bonuses		
		Employees	Employees
	The Long Service Bonus plans are defined benefit plans		
	As at year end, the following number of employees were eligible for Long Service Bonuses		
		<u>818</u>	<u>852</u>
	Rate of interest		
	Discount rate	7.96%	6.97%
	CPI (Consumer Price Inflation)	6.33%	5.63%
	General Salary Inflation (Long-Term)	7.33%	6.63%
	Nett Effective Discount Rate applied to salary-related Long Service Bonuses	0.59%	0.32%
	The amounts recognised in the Statement of Financial Position are as follows:		
	Present value of fund obligations	13 078 000	12 195 213
	Net liability	<u>13 078 000</u>	<u>12 195 213</u>

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		2012 R	2011 R
			2010 R
	Members	10 881 915	9 196 531
	Total Liability	<u>10 881 915</u>	<u>9 196 531</u>
			<u>7 569 739</u>
	Experience adjustments were calculated as follows:	2014	2013
	Liabilities: (Gain) / Loss	(868 888)	94 490
	Assets: Gain / (Loss)	-	-
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		2012	2011
			2010
	Liabilities: (Gain) / Loss	803 461	987 111
	Assets: Gain / (Loss)	-	-
			272 714

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
	Balance 1 July	12 195 213	10 881 915
	Contribution for the year	1 156 901	1 336 912
	Interest Cost	794 436	668 102
	Expenditure for the year	(199 662)	(934 205)
	Actuarial Loss	(868 888)	94 490
	Past Service Cost	-	147 999
		<u>13 078 000</u>	<u>12 195 213</u>
	Less: Transfer of Current	<u>(1 623 000)</u>	<u>(1 131 175)</u>
	Net Post-Employment Health Care Benefit Liability	<u>11 455 000</u>	<u>11 064 038</u>
	Sensitivity Analysis on the Accrued Liability		
	Assumptions	Change	Liability R
	Central assumptions	-	13 078 000
	General salary inflation	+ 1%	13 994 000
	General salary inflation	- 1%	12 255 000
	Average retirement age	-2 yrs	11 995 000
	Average retirement age	+2 yrs	14 349 000
	Withdrawal rates	-50%	15 088 000
			Change R
			-
			916 000
			(823 000)
			(1 083 000)
			1 271 000
			2 010 000

11	NON-CURRENT PROVISIONS		
	Landfill Site - Environmental Rehabilitation	3 790 480	1 323 531
	Balance at the end of the period	<u>3 790 480</u>	<u>1 323 531</u>
11.1	<u>Landfill Site - Environmental rehabilitation</u>		
	Balance beginning of the period	1 329 759	1 323 309
	Contributions	-	6 450
	Interest Cost	6 228	-
	Change in provision of obligation	2 515 426	-
		<u>3 851 413</u>	<u>1 329 759</u>
	Less: Transfer of Current Portion	<u>(60 933)</u>	<u>(6 228)</u>
	Balance Previously Reported		(1 329 759)
	Correction of Error - refer to note 36.6		<u>1 323 531</u>
	Balance at the end of the period	<u>3 790 480</u>	<u>1 323 531</u>
	<i>//Khara Hais Municipality currently operates a landfill site. Environmental rehabilitation – environmental obligation to rehabilitate the various landfill sites upon closure.</i>		
	De Duine Landfill Site	2 165 079	1 329 759
	Leerkrans Landfill Site	552 663	
	Total Landfill site rehabilitation	<u>2 717 742</u>	<u>1 329 759</u>
	<i>In terms of the licencing of the landfill refuse sites, the Municipality will incur rehabilitation costs to restore the sites at the end of their useful lives. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.</i>		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
12	CONSUMER DEPOSITS		
	Electricity and Water	7 000 030	6 378 364
	Sundry	1 112 260	1 025 747
	Total Consumer Deposits	8 112 290	7 404 111
	Guarantees Held In Lieu of Electricity and Water Deposits	239 124	245 620
	<i>Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the Municipality can utilise the deposit as payment for the outstanding account.</i> <i>No interest is paid on Consumer Deposits held.</i>		
13	CURRENT EMPLOYEE BENEFITS		
	Current portion of Post employment benefits transferred	2 532 000	2 022 564
	Current portion of Long service awards transferred	1 623 000	1 131 175
	Total current Employee Benefits	4 155 000	3 153 739
14	PROVISIONS		
	Performance Bonusss	1 216 021	716 250
	Current portion of Non-Current Provisions	60 933	6 228
	Balance Previously Reported		1 329 759
	Correction of Error - refer to note 36.8		(1 323 531)
	Total Current Provisions	1 276 954	722 478
	Performance bonuses		
	Balance beginning of the period	716 250	686 799
	Performance bonuses paid	-	(398 377)
	Contributions	499 771	427 828
	Balance at the end of the period	1 216 021	716 250

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
15	TRADE AND OTHER PAYABLES		
	Trade Creditors	63 481 587	32 361 764
	Balance Previously Reported		30 259 228
	Correction of Error - refer to note 36.1		2 102 536
	Payments Received in Advance	2 010 543	1 147 030
	Balance Previously Reported		1 128 709
	Correction of Error - refer to note 36.1		18 321
	Retentions	4 603 471	1 284 590
	Unidentified Deposits	1 073 628	1 379 698
	Balance Previously Reported		2 606 745
	Correction of Error - refer to note 36.1		(1 227 047)
	Other Creditors	8 471 861	737 583
	Leave Accrual	18 179 974	15 905 816
	Total Trade and Other Payables	97 821 064	52 816 481
<i>Due to the short term nature of these items, the carrying value approximated the fair value</i>			
<i>The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. The Municipality has policies in place to ensure that all payables are paid within the credit timeframe.</i>			
	Leave accrual		
	Balance beginning of the period	15 905 816	13 748 653
	Leave payments	(1 673 300)	(682 331)
	Contributions	3 947 458	2 839 494
	Balance at the end of the period	18 179 974	15 905 816
<i>Provision for leave values due to employees is calculated in terms of the standard conditions of employment. The provision for leave is calculated on the cost to council, leave payouts are done on basic salary.</i>			

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
16	UNSPENT CONDITIONAL GRANTS AND DONATIONS		
16.1	Conditional Grants From Other Spheres of Government	36 218 360	37 144 082
	Provincial grants	1 574 001	1 221 910
	MIG	24 395 661	32 106 123
	Balance Previously Reported		32 238 943
	Correction of Error - refer to note 36.2		(132 821)
	Provincial LED Projects	101 593	101 593
	EPWP	1 443 737	3 714 455
	DWA	205 618	-
	Housing	8 497 749	-
16.2	Conditional Public Grants and Donations	30 000	30 000
	Other	30 000	30 000
	Total Unspent Conditional Grants and Donations	36 248 360	37 174 082
	<i>Refer to note 22 for reconciliation of grants from other spheres of government.</i>		
	<i>Due to the short term nature of these items, the carrying value approximated the fair value</i>		
17	VAT (RECEIVABLE) / PAYABLE		
	VAT (Receivable) / Payable	(492 508)	10 137 668
	Balance Previously Reported		10 139 940
	Correction of Error - refer to note 36.9		(2 271)
	Total VAT Receivable / Payable	(492 508)	10 137 668
	<i>VAT is payable on the cash basis. Only once payment is received from debtors is VAT paid over to SARS and claimed from SARS when actual payment of creditors are done.</i>		
18	BANK OVERDRAFT		
	Bank overdraft - ABSA Bank (Account 22-4000-0051)	3 993 021	16 354 082
	<u>Current Account (Primary Bank Account)</u>		
	ABSA Bank Limited - Upington Branch: Account Number 22-4000-0051		
	Cash Book Balance at Beginning of Year – Overdrawn	(16 354 082)	(1 367 555)
	Cash Book Balance at End of Year - Overdrawn	(3 993 021)	(16 354 082)
	Bank Statement Balance at Beginning of Year	439 696	3 820 939
	Bank Statement Balance at End of Year	5 833 194	439 696
	<i>The Municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.</i>		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
19	ACCUMULATED SURPLUS		
	Accumulated surplus / (deficit)	1 476 163 298	1 503 189 702
	Balance Previously Reported		1 542 195 701
	Correction of Error - refer to note 36.15		(39 005 999)
	Total Accumulated Surplus	1 476 163 298	1 503 189 702
	Reconciliation of actual Surplus/(Deficit) for the year		
	Surplus/(Deficit) as per Statement of Financial Performance	(27 026 403)	(69 057 348)
	Plus:	97 087 283	93 538 835
	Depreciation	82 804 120	83 286 688
	Employee Benefits - Contribution to provisions	14 283 163	10 252 146
	Less:	(18 749 514)	(10 646 634)
	Fair Value Adjustment	(12 043 212)	(10 646 634)
	Actuarial Gain	(6 706 302)	-
	Actual Surplus/(Deficit) for the year	51 311 366	13 834 852
20	PROPERTY RATES		
	General Rates		
	Total Assessment Rates	61 002 862	50 437 491
	Valuations	30/06/2014	30/06/2013
		R 000's	R 000's
	Residential & Commercial	3 781 684 210	3 741 957 560
	Agricultural	1 633 783 230	1 388 147 400
	State	431 919 200	378 909 030
	Non Rateable	177 551 270	169 898 570
	Total Property Valuations	6 024 937 910	5 678 912 560
	<i>Valuations on land and buildings are performed every four years. The general valuation came into effect on 1 July 2009. A general rate of R 0.013508 (2013 - R 0.012624) were applied to property valuations to determine assessment rates. Rates are levied on an annual or monthly basis on properties depending on the choice made by the property owner. The final date of payment for annually levied rates was 31 October 2013 and monthly levied by the 15th of the following month. Interest is levied on outstanding rates.</i>		
21	SERVICE CHARGES		
	Sale of Electricity	207 548 106	178 814 605
	Prepaid Electricity Sales	60 961 972	54 644 917
	Balance Previously Reported		54 683 158
	Correction of Error - refer to note 36.18		(38 241)
	Other Electricity Sales	3 786 937	71 110
	Balance Previously Reported		2 151 845
	Correction of Error - refer to note 36.18		(2 080 735)
	Metered Electricity Sales	142 799 197	124 098 577
	Sale of Water	44 483 099	39 026 913
	Balance Previously Reported		39 087 176
	Correction of Error - refer to note 36.18		(60 263)
	Refuse Removal	26 273 550	23 181 313
	Sewerage and Sanitation Charges	27 781 515	25 249 023
	Total Service Charges	306 086 270	266 271 854
	<i>The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.</i>		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
22	GOVERNMENT GRANTS AND SUBSIDIES		
	Government Grants and Subsidies - Operating	69 642 640	66 749 986
	Balance Previously Reported		64 139 164
	Correction of Error - refer to note 36.24		2 610 823
	Government Grants and Subsidies - Capital	52 910 396	42 156 896
	Balance Previously Reported		44 398 184
	Correction of Error - refer to note 36.23		(2 241 288)
	Total Government Grants and Subsidies	122 553 036	108 906 882
	Equitable Share	53 914 000	52 652 000
	SETA Training Subsidy	370 654	181 660
	Housing Grants	5 504 329	6 313 459
	Health grant	1 275 000	1 363 359
	INEP	8 900 000	8 863 149
	Balance Previously Reported		8 063 149
	Correction of Error - refer to note 22.3		800 000
	Provincial	578 910	460 769
	MIG	40 122 461	16 897 967
	Balance Previously Reported		(16 765 147)
	Correction of Error - refer to note 22.5		(132 821)
	MSIG	890 000	562 000
	Balance Previously Reported		(800 001)
	Correction of Error - refer to note 22.6		238 001
	FMG	1 550 000	1 160 000
	Balance Previously Reported		(1 485 285)
	Correction of Error - refer to note 22.8		325 285
	Other Conditional Grants	1 263 682	3 047 685
	EPWP Grants	3 270 719	1 326 454
	DWAF	424 928	-
	FIFA Worldcup Legacy Programme	-	7 116 005
	SANRAL	-	4 785 316
	CoGHSA	-	4 177 060
	Community Sport for Youth Development	4 488 353	-
	Total Government Grants and Subsidies	122 553 036	108 906 883
22.1	Equitable Share and SETA Subsidies		
	<i>In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy which is funded from this grant.</i>		
	<i>SETA subsidies are utilised to finance the operations of the specific department (Human Resources) within the municipality.</i>		
22.2	Health grant		
	Balance unspent at beginning of year	(3 379 659)	(3 120 300)
	Current year receipts -	2 274 000	1 104 000
	Other transfers	-	-
	Conditions met - transferred to revenue	(1 275 000)	(1 363 359)
	Conditions still to be met - transferred to assets	(2 380 659)	(3 379 659)
	<i>The grant is transferred from Department of Health to the Municipality. The grant is utilised for operational expenditure for Health Services provided by the Municipality.</i>		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
22.3	INEP Grant		
	Balance unspent at beginning of year	(800 000)	(196 851)
	Current year receipts -	9 700 000	8 260 000
	Other transfers	-	-
	Conditions met - transferred to revenue	(8 900 000)	(8 863 149)
	Balance Previously Reported		(8 063 149)
	Correction of Error - refer to note 36.23		(800 000)
	Conditions still to be met - transferred to liabilities / assets	-	(800 000)
	<i>This grant was used for electrical connections in previously disadvantaged areas. R 800 000 was received additionally.</i>		
22.4	Provincial Grants		
	Balance unspent at beginning of year	1 221 910	1 024 679
	Current year receipts	931 000	929 000
	Other transfers	-	(271 000)
	Conditions met - transferred to revenue	(578 910)	(460 769)
	Conditions still to be met - transferred to liabilities	1 574 001	1 221 910
	<i>The grant was utilised for the upgrading of library infrastructure and equipment, upgrading of taxi rank, as well as operating expenditure.</i>		
22.5	MIG		
	Balance unspent at beginning of year	32 106 123	23 615 090
	Current year receipts	34 945 000	23 789 000
	MIG withheld	(2 533 000)	-
	MIG Roll-Over approved	-	2 100 000
	Other transfers	-	(500 000)
	Conditions met - transferred to revenue	(40 122 461)	(16 897 967)
	Balance Previously Reported		(16 765 147)
	Correction of Error - refer to note 36.23		(132 821)
	Conditions still to be met - transferred to liabilities	24 395 661	32 106 123
	<i>The Municipal infrastructure grant is utilised for the construction of infrastructure in terms of the conditions of the grant. Due to critical vacant position within the Technical department, all MIG-projects could not be completed.</i>		
22.6	MSIG		
	Balance unspent at beginning of year	-	-
	Balance Previously Reported		(353 331)
	Correction of Error - refer to note 36.24		353 331
	Current year receipts -	890 000	800 000
	Withheld	-	(238 000)
	Conditions met - transferred to revenue	(890 000)	(562 000)
	Balance Previously Reported		(800 001)
	Correction of Error - refer to note 36.24		238 001
	Conditions still to be met - transferred to assets	-	-
	<i>The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems.</i>		
22.7	Provincial LED Projects		
	Balance unspent at beginning of year	101 593	101 593
	Current year receipts	-	-
	Conditions met - transferred to revenue	-	-
	Conditions still to be met - transferred to liabilities	101 593	101 593
	<i>Provincial LED Projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.</i>		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
22.8	FMG		
	Balance unspent at beginning of year	-	-
	Balance Previously Reported		(604 338)
	Correction of Error - refer to note 36.24		604 338
	Current year receipts	1 550 000	1 500 000
	Withheld	-	(340 000)
	Conditions met - transferred to revenue	(1 550 000)	(1 160 000)
	Balance Previously Reported		(1 485 285)
	Correction of Error - refer to note 36.24		325 285
	Conditions still to be met - transferred to assets	-	-
	<i>The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).</i>		
22.9	Other		
	Balance unspent at beginning of year	(1 118 001)	2 308 616
	Current year receipts	2 196 500	329 145
	Other transfers	-	(708 077)
	Conditions met - transferred to revenue	(1 263 682)	(3 047 685)
	Conditions still to be met - transferred to assets / liabilities	(185 183)	(1 118 001)
	<i>Various grants received from different spheres (e.g. Lotto)</i>		
22.10	EPWP		
	Balance unspent at beginning of year	3 714 455	4 099 365
	Current year receipts	1 000 000	2 498 009
	Other transfers	-	(1 556 465)
	Conditions met - transferred to revenue	(3 270 719)	(1 326 454)
	Conditions still to be met - transferred to liabilities	1 443 737	3 714 455
	<i>The Expanded Public Works Programme Grant was allocated to the Municipality for paving projects in the community and improvement of roads.</i>		
22.11	DWA		
	Balance unspent at beginning of year	-	-
	Current year receipts	630 547	-
	Other transfers	-	-
	Conditions met - transferred to revenue	(424 928)	-
	Conditions still to be met - transferred to liabilities	205 618	-
	<i>The grant was used for capital expenditure in water reticulation and production.</i>		
22.12	FIFA WORLD CUP LEGACY PROGRAMME		
	Balance unspent at beginning of year	-	-
	Current year receipts	-	7 116 005
	Other transfers	-	-
	Conditions met - transferred to revenue	-	(7 116 005)
	Conditions still to be met - transferred to liabilities	-	-
	<i>A donation was received by FIFA Worldcup Legacy Programme for the funding of the football turf and clubhouse at Paballelo</i>		
22.13	SANRAL		
	Balance unspent at beginning of year	-	-
	Current year receipts	-	4 785 316
	Other transfers	-	-
	Conditions met - transferred to revenue	-	(4 785 316)
	Conditions still to be met - transferred to liabilities	-	-
	<i>A donation was received by SANRAL for the funding access roads to Karos, Leerkrans and Ntsikelelo</i>		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
22.14	CoGHTA		
	Balance unspent at beginning of year	-	-
	Current year receipts	-	4 177 060
	Other transfers	-	-
	Conditions met - transferred to revenue	-	(4 177 060)
	Conditions still to be met - transferred to liabilities	-	-
	<i>A donation was received by SANRAL for the funding access roads to Karos, Leerkrans and Ntsikelele</i>		
22.15	Community Sport for Youth Development		
	Balance unspent at beginning of year	-	-
	Current year receipts	1 872 753	-
	Other transfers	-	-
	Conditions met - transferred to revenue	(4 488 353)	-
	Conditions still to be met - transferred to liabilities	(2 615 600)	-
	<i>A donation was received by Community Sport for Youth Development for the development of sport facilities.</i>		
23	OTHER INCOME		
	Commission	456 541	421 749
	Consent Use	2 908 760	-
	Insurance Claims	679 098	440 555
	Occupational Practise Levy	251 126	-
	Plan fees	830 166	462 838
	Side Line Recoupment	204 938	186 368
	Other	2 139 041	4 285 068
	Total Other Income	7 469 669	5 796 578
	<i>The amounts disclosed above for Other Revenue are in respect of services, other than described in notes 20 to 21, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.</i>		
24	EMPLOYEE RELATED COSTS		
	Employee Related Costs - Salaries and Wages	153 415 916	141 627 776
	Employee Related Costs - Contributions for UIF, Pension, Medical Aid Funds, WCA and Group Life Insurance	36 966 971	33 544 709
	Balance Previously Reported		33 568 980
	Correction of Error - refer to note 36.19		(24 270)
	Housing Benefits and Allowances	285 411	336 427
	Overtime Payments	12 100 130	8 446 916
	Performance Bonus	499 771	427 828
	Long-Service Awards	-	-
		203 268 198	184 383 657
	Less: Employee Costs Capitalised	(3 828 606)	(3 862 859)
	Balance Previously Reported		(3 821 340)
	Correction of Error - refer to note 36.19		(41 519)
	Total Employee Related Costs	199 439 592	180 520 798
24.1	Remuneration of the Municipal Manager	7 months	
	Annual Remuneration	691 073	769 722
	Car Allowance	131 865	145 002
	Contributions to Pension, Group Life & Medical Aid Funds	198 555	155 677
	Performance Bonuses	-	75 512
	Total	1 021 492	1 145 913
	<i>The position was only filled for 7 months in the 2013/2014 financial year.</i>		

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Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
24.2	Remuneration of Chief Financial Officer		8 months
	Annual Remuneration	680 300	457 587
	Car Allowance	205 923	137 160
	Contributions to Pension, Group Life & Medical Aid Funds	153 426	88 887
	Performance Bonuses	-	84 965
		<u>1 039 649</u>	<u>768 598</u>
	<i>The position was only filled for 8 months in the 2012/2013 financial year.</i>		
24.3	Remuneration of the Director Electro Mechanical Services		
	Annual Remuneration	794 520	736 424
	Car Allowance	41 934	42 783
	Contributions to Pension, Group Life & Medical Aid Funds	203 601	186 744
	Performance Bonuses	-	76 468
	Leave Gratuity	-	98 761
	Bursary	-	11 900
	Total	<u>1 040 055</u>	<u>1 153 079</u>
	<i>A new organogram was approved on the 31st of January 2014 which divided the Directorate Technical Services into three directorates. The Director Technical Services became the Director Electro Mechanical Services</i>		
24.4	Remuneration of the Director Corporate Services		8 months
	Annual Remuneration	678 000	540 822
	Car Allowance	203 293	143 999
	Contributions to Pension, Group Life & Medical Aid Funds	159 002	118 558
	Performance Bonuses	-	76 468
	Leave Gratuity	-	33 227
	Total	<u>1 040 295</u>	<u>913 074</u>
	<i>The position was only filled for 8 months in the 2012/2013 financial year.</i>		
24.5	Remuneration of the Director Development Services		
	Annual Remuneration	901 943	842 100
	Car Allowance	128 734	120 193
	Contributions to Pension, Group Life & Medical Aid Funds	11 098	1 569
	Performance Bonuses	-	84 965
	Total	<u>1 041 775</u>	<u>1 048 826</u>
	<i>Director Development Services has been suspended with pay during June 2014. Investigation is still pending.</i>		
24.6	Remuneration of the Acting Director Civil Engineering Services		
	Annual Remuneration	225 609	-
	Car Allowance	50 250	-
	Contributions to Pension, Group Life & Medical Aid Funds	3 178	-
	Total	<u>279 037</u>	<u>-</u>
	<i>This position was created on the 31st of January 2014. The position was filled temporary from 25 March 2014.</i>		
24.7	Remuneration of the Acting Director Planning and Development Services		
	Annual Remuneration	309 000	-
	Car Allowance	16 530	-
	Contributions to Pension, Group Life & Medical Aid Funds	3 784	-
	Total	<u>329 314</u>	<u>-</u>
	<i>This position was created on the 31st of January 2014. The position was filled temporary from 25 March 2014.</i>		
	<i>Performance bonuses paid was for the 2010/2011 financial year. Performance bonuses for the 2013/2014 financial year is provided as set out in note 14</i>		

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Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
25	REMUNERATION OF COUNCILLORS		
	Mayor	678 490	678 021
	Speaker	551 620	544 079
	Executive Committee Members	1 132 936	1 059 511
	Councillors	4 385 815	4 171 262
	Councillors' Pension / Medical Aid Contribution	371 586	351 069
	Total Councillors' Remuneration	7 120 447	6 803 942
	In-kind Benefits		
	<i>The Mayor and Speaker are full-time councillors. Each is provided with an office and secretarial support at the cost of the Council.</i>		
	<i>The Mayor has use of a Council owned vehicle for official duties.</i>		
	<i>Refer to Appendix G for more detail.</i>		
26	CONTRIBUTIONS TO PROVISIONS		
26.1	Bad debts	240 590	6 401 289
	Total Bad Debts	240 590	6 401 289
26.2	Other contributions		
	Landfill site	2 515 426	6 451
	Employee Benefits - Post Retirement Medical Benefit	9 816 400	8 240 681
	Employee Benefits - Long Service	1 951 337	2 005 014
	Total Other Contributions	14 283 163	10 252 146
27	DEPRECIATION AND ASSET IMPAIRMENT		
	Depreciation on PPE	81 825 847	82 381 241
	Balance Previously Reported		84 337 785
	Correction of Error - refer to note 36.22		(1 956 544)
	Depreciation on Intangible Assets	978 272	905 447
	Impairment loss on PPE	11 709 085	3 559 485
	Balance Previously Reported		769 560
	Correction of Error - refer to note 36.22		2 789 926
	Total Depreciation and Asset Impairment	94 513 205	86 846 173
28	REPAIRS AND MAINTENANCE		
	Electricity Transmission and Reticulation	489 233	1 369 731
	General Vehicles	5 010 373	6 098 185
	Other Buildings	1 057 483	1 930 540
	Balance Previously Reported		1 937 014
	Correction of Error - refer to note		(6 474)
	Plant and Equipment	1 557 001	974 047
	Balance Previously Reported		962 347
	Correction of Error - refer to note 36.21		11 700
	Water Reticulation	682 474	579 461
	Other	1 762 042	1 684 181
	Balance Previously Reported		1 664 305
	Correction of Error - refer to note 36.21		19 876
	Total Repairs and Maintenance	10 558 606	12 636 146

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Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
29	FINANCE COSTS		
	Non-current borrowings	16 816 531	14 050 441
	Balance Previously Reported		13 831 735
	Correction of Error - refer to note 36.26		218 706
	Creditors	3 121 639	6 107
	Landfill Sites	6 228	-
	Financial Institutions	61	17
	Total Finance Costs	19 944 458	14 056 565
30	BULK PURCHASES		
	Electricity	133 060 862	120 911 854
	Water	2 970 846	1 925 132
	Total Bulk Purchases	136 031 708	122 836 986
	<i>Bulk purchases are the cost of commodities not generated by the Municipality, which the Municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from DWAF.</i>		
31	CONTRACTED SERVICES		
	Traffic Control Contracts	209 283	710 741
	Legal Costs	1 213 638	1 482 637
	Professional Fees	9 717 869	4 252 080
	Commission Prepaid Electricity	1 529 116	1 251 634
	Rental Housing Stock	-	5 977 325
	Revenue Enhancement Project	2 095 779	311 640
	Other	1 188 165	1 975 802
	Total Contracted Services	15 953 849	15 961 859
32	GRANTS AND SUBSIDIES PAID		
	Donations	330 360	437 766
	Bursaries & Other	-	201 609
	Indigent Subsidy	26 879 177	24 838 307
	Balance Previously Reported		-
	Correction of Error - refer to note		24 838 307
	Total Grants and Subsidies Paid	27 209 537	25 477 682
	<i>The Mayor makes donations available on own discretion.</i>		
	<i>Indigent Subsidy are in respect of assistance to and providing basic service levels to indigent households.</i>		
33	OPERATING PROJECTS		
	Other	1 394 202	983 122
	Total Operating Projects	1 394 202	983 122

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Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
34	GENERAL EXPENDITURE		
	<i>General Expenditure Includes the Following</i>		
	Advertisements	199 153	630 852
	Audit Fees	3 492 692	2 909 883
	Bank Charges	1 081 850	824 373
	Black Plastic Bags	1 173 261	1 182 383
	Chemicals and Fertilizers	2 183 205	2 115 148
	Cleaning Material	559 496	573 621
	Commission Paid	973 399	918 232
	Cultural Festival	12 080	11 750
	Entertainment Costs	63 388	210 862
	Fuel & Oil	8 671 970	8 462 579
	Indigent Assistance	-	-
	Balance Previously Reported		24 838 307
	Correction of Error - refer to note 36.18		(24 838 307)
	Insurance Cost	2 063 765	1 523 599
	Job Creation Activities	-	-
	Laboratorium Analysis	458 524	370 437
	Licence Fees	761 078	664 673
	Losses through fraud and theft	20 099	-
	Membership Fees	2 133 236	2 975 232
	Municipal Consumption	41 522	65 935
	Other General Cost	1 697 769	2 539 128
	Balance Previously Reported		2 577 475
	Correction of Error - refer to note 36.2		(38 347)
	Printing & Stationery	1 324 449	1 264 450
	Protective Clothing	486 494	558 955
	Rental: Equipment and Machinery	131 637	675 417
	Street Lightening	2 891 368	192 318
	Subsistence & Travel Costs	1 065 239	2 141 410
	Telephone Cost	2 840 935	3 120 006
	Training	665 729	1 917 103
	Total General Expenditure	34 992 337	35 848 347
	<i>The amounts disclosed above for Other General Costs are in respect of costs incurred in the general management of the Municipality and are not direct attributable to a specific service or class of expense.</i>		

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Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
35	RECONCILIATION BETWEEN NET SURPLUS / (DEFICIT) FOR THE YEAR AND CASH GENERATED / (ABSORBED) BY OPERATIONS		
35.1	CASH GENERATED/(ABSORBED) BY OPERATIONS		
	Surplus / (Deficit) for the year	(27 026 403)	(62 764 239)
	<u>Adjustments for:</u>		
	Depreciation on Property, Plant and Equipment	81 825 847	82 381 241
	Amortisation of Intangible Assets	978 272	905 447
	Impairment written off	11 709 085	3 559 485
	Gain on disposal of property, plant and equipment	(3 076 238)	(1 119 606)
	Loss on disposal of property, plant and equipment	-	-
	Actuarial Gain	(6 706 302)	-
	Actuarial Loss	(0)	1 266 311
	Fair Value Adjustment	(12 043 212)	(10 646 634)
	Debt Impairment	-	6 401 289
	Debt Impairment - Long term receivables	-	-
	Contribution from/to Landfill Sites	2 521 654	6 451
	Contribution from/to Post Retirement Medical Benefits	9 816 400	8 240 681
	Contribution from/to Long-Service Awards	1 951 337	2 005 014
	Contribution from/to Landfill Sites - expenditure incurred	-	-
	Contribution from/to Post Retirement Medical Benefits - expenditure incurred	(2 040 754)	(1 874 885)
	Contribution from/to Long-Service Awards - expenditure incurred	(199 662)	(934 205)
	Contribution from/to Performance Bonus	499 771	427 828
	Contribution from/to Performance Bonus - expenditure incurred	-	(398 377)
	Operating Surplus/(Deficit) before changes in working capital	58 209 795	27 455 801
	Changes in working capital	33 054 667	(2 765 563)
	Increase in Trade and Other Payables	45 004 583	4 416 231
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(925 722)	5 994 738
	Increase/(Decrease) in Taxes	(10 630 177)	(1 797 061)
	(Increase)/Decrease in Inventory	276 309	160 264
	(Increase)/Decrease in Trade and other receivables	(786 544)	(9 559 227)
	(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	116 218	(1 980 509)
	Cash generated/(absorbed) by operations	91 264 462	24 690 238
35.2	CASH & CASH EQUIVALENTS		
	Cash & Cash Equivalents	2 871 591	18 716 785
	Bank Overdraft	(3 993 021)	(16 354 082)
	Total Cash & Cash Equivalents	(1 121 430)	2 362 703

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Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
36	CORRECTION OF ERROR		
36.1	Adjustment to Trade and other payables		
	Amount Previously Stated		51 922 671
	Reallocate unidentified deposits in access of three years to other income as per approved policy - 2011/2012 - refer to note 15		(1 227 082)
	Correction of VAT on commission paid incorrectly allocated against unidentified deposits - 2012/2013 - refer to note 15		35
	Correction of debtors received in advance understated - 2012/2013 - refer to 15		18 321
	Correction of understatement of pre-paid electricity creditor - 2012/2013 - refer to note 15		38 241
	Correction of KLK Creditor overstated - 2012/2013 - refer to note 15		(111)
	Provision for SALA Pension Fund Creditor due to decrease in contributions from July 2003 not paid - 2012/2013 - refer to note 15		(24 270)
	Correction of ABSA Loan Creditor overstated due to installments not paid - 2012/2013 - refer to note 15		2 088 677
	Restated balance		52 816 481
36.2	Adjustment to Unspent Conditional Grants		
	Amount Previously Stated		37 306 903
	Correction of capital expenditure not previously allocated against MIG - 2012/2013 - refer to note 16		(132 821)
	Restated balance		37 174 082
36.3	Other Receivables		
	Amount Previously Stated		4 346 927
	Correction of overstatement of Department of Social Services' debtor account - 2011/2012 - refer to note 5		(23 800)
	Reallocation of acquisition from Investment Property to other debtors since the municipality has no control over the property due to a litigation case - 2012/2013 - refer to note 1.3		200 000
	Restated balance		4 523 127
36.4	Short Term Investments		
	Amount Previously Stated		-
	Correction of Interest received on the 2nd of July 2014 for the year ended 30 June 2013 not previously disclosed in 2012/2013 - refer to note 7		26 473
	Correction of Investments qualifying as Cash and Cash Equivalents understated - 2012/2013 - refer to note 7		608 241
	Restated balance		634 714
36.5	Unpaid Conditional Grants and Receipts		
	Amount Previously Stated		6 018 615
	Correction of capital expenditure not previously allocated against INEP - 2012/2013 - refer to note 6		800 000
	Correction of FMG overstated due to over expenditure on grant funding - 2011/2012 - refer to note 6		(604 338)
	Correction of FMG overstated due to over expenditure on grant funding- 2012/2013 - refer to note 6		(325 285)
	Correction of MSIG overstated due to over expenditure on grant funding - 2011/2012 - refer to note 6		(353 331)
	Correction of MSIG overstated due to over expenditure on grant funding- 2012/2013 - refer to note 6		(238 001)
	Restated balance		5 297 660
36.6	Non-Current Provisions		
	Amount Previously Stated		-
	Correction of Current Portion of Non-Current Provisions overstated - 2012/2013 - refer to note 11		1 323 531
	Restated balance		1 323 531
36.7	Non-Current Borrowing		
	Amount Previously Stated		130 866 654
	Correction of Non-Current Borrowing understated due to ABSA Loan not paid - 2011/2012 - refer to note 9		511 787
	Correction of Non-Current Borrowing understated due to ABSA Loan not paid - 2012/2013 - refer to note 9		(1 869 971)
	Correction of Current Portion of Borrowing overstated - 2012/2013 - refer to note 9		4 054 453
	Restated balance		133 562 922
36.8	Provisions		
	Amount Previously Stated		2 046 010
	Correction of Provisions overstated - 2012/2013 - refer to note 14		(1 323 531)
	Restated balance		722 478

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Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
36.9	VAT		
	Amount Previously Stated		10 139 940
	Correction of VAT on commission paid incorrectly allocated against unidentified deposits - 2012/2013 - refer to note 17		(35)
	Correction of water consumption incorrectly levied on Mr E Ntambam's consumer account - 2012/2013 - refer to note 17		(2 250)
	Correction of VAT on KLK Creditor overstated - 2012/2013 - refer to note 17		14
	Restated balance		10 137 668
36.10	Property, Plant and Equipment		
	Amount Previously Stated	1 588 419 442	
	Correction of direct employee costs not previously capitalised - 2012/2013 - refer to note 1.1	41 519	
	Correction of direct vehicle costs not previously capitalised - 2012/2013 - refer to note 1.1	91 302	
	Correction of PPE overstated due to Other Expenditure being capitalised - 2012/2013 - refer to note 1.1	(56 616)	
	Correction of PPE overstated due to Repairs and Maintenance being capitalised - 2012/2013 - refer to note 1.1	(31 576)	
	Correction of impairment understated due to project being cancelled - 2012/2013 - refer to note 1.1	(2 803 490)	
	Correction of PPE overstated due to Operational Cost being capitalised - 2011/2012 - refer to note 1.1	(40 650)	
	Correction of PPE understated due to capital expenditure not being capitalised - 2011/2012 - refer to note 1.1	7 886	
	Correction of PPE understated due to capital expenditure not being capitalised - 2012/2013 - refer to note 1.1	10 135	
	Correction of Cost Overstated on PPE - 2011/2012 - refer to note 1.1	(17 368 324)	
	Correction of Accumulated Depreciation Overstated on PPE - 2011/2012 - refer to note 1.1	6 516 791	
	Correction of Depreciation Overstated on PPE - 2012/2013 - refer to note 1.1	1 956 544	
	Correction of Impairment Overstated on PPE - 2012/2013 - refer to note 1.1	13 565	
	Correction of WIP overstated - 2012/2013 - refer to note 1.1	(98)	
	Restated balance	1 576 756 430	
36.11	Investment Property		
	Amount Previously Stated	223 111 950	
	Correction of Investment Property overstated due to property incorrectly included in register - 2011/2012 - refer to note 1.3	(34 802 888)	
	Reallocation of acquisition to other debtors since the municipality has no control over the property due to a litigation case - 2012/2013 - refer to note 1.3	(200 000)	
	Correction of Fair Value Adjustment understated - 2012/2013 - refer to note 1.3	9 320 634	
	Restated balance	197 429 696	
36.12	Current Portion of Borrowings		
	Amount Previously Stated	(19 974 288)	
	Correction of Current Portion of Borrowing overstated - 2012/2013 - refer to note 9	4 054 453	
	Restated balance	(15 919 835)	
36.13	Trade Receivables from Exchange Transactions and Non-Exchange Transactions		
	Amount Previously Stated	47 535 104	
	Correction of water consumption incorrectly levied on Mr E Ntambam's consumer account - 2012/2013 - refer to note 4	(18 321)	
	Correction of debtors received in advance understated - 2012/2013 - refer to note 4	18 321	
	Correction of debtors overstated based on income received, but not yet billed - 2012/2013 - refer to note 4	(2 124 928)	
	Correction of understatement of fines issued but not yet paid - 2011/2012 - refer to note 4	654 250	
	Correction of overstatement of fines issued but not yet paid - 2012/2013 - refer to note 4	(271 240)	
	Restated balance	45 793 187	
36.14	Cash and Cash Equivalents		
	Amount Previously Stated	19 325 026	
	Correction of Investments qualifying as Cash and Cash Equivalents Understated - 2012/2013 - refer to note 8	(608 241)	
	Restated balance	18 716 785	

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Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
36.15	Adjustment to Accumulated Surplus		
	Amount Previously Stated		1 542 195 701
	Reallocate unidentified deposits in access of three years to other income as per approved policy -2011/2012 - refer to note 36.1		1 227 082
	Correction of interest received on the 2nd of July 2014 for the year ended 30 June 2014 not previously disclosed as interest received on external investments - 2012/2013 - refer to note 36.4		26 473
	Correction of water consumption incorrectly levied on Mr E Ntambam's consumer account - 2012/2013 - refer to note 36.13		(16 071)
	Correction of overstatement of Department of Social Services' debtor account - 2011/2012 - refer to note 36.3		(23 800)
	Correction of direct employee costs not previously capitalised - 2012/2013 - refer to note 36.1		41 519
	Correction of Impairment understated due to project being cancelled - 2012/2013 - refer to note 36.1		91 302
	Correction of PPE overstated due to Other Expenditure being capitalised - 2012/2013 - refer to note 36.1		(56 616)
	Correction of PPE overstated due to Repairs and Maintenance being capitalised - 2012/2013 - refer to note 36.1		(31 576)
	Correction of Impairment understated due to project being cancelled - 2012/2013 - refer to note 36.1		(2 803 490)
	Correction of PPE overstated due to Operational Cost being capitalised - 2011/2012 - refer to note 36.1		(40 650)
	Correction of capital expenditure not previously allocated against MIG - 2012/2013 - refer to note 36.2		132 821
	Correction of capital expenditure not previously allocated against INEP - 2012/2013 - refer to note 36.5		800 000
	Reallocation of Indigent Subsidy from Other Expenditure to Grants and Subsidies Paid - 2012/2013 - refer to note 34		24 838 307
	Reallocation of Indigent Subsidy to Grants and Subsidies Paid - 2012/2013 - refer to note 32		(24 838 307)
	Reallocation of VAT on Grants i.t.o. Circular 48 from Government Grants - Capital to Government Grants - Operational - 2012/2013 - refer to note 22		(3 174 109)
	Reallocation of VAT on Grants i.t.o. Circular 48 to Government Grants - Operational - 2012/2013 - refer to note 22		3 174 109
	Correction of FMG overstated due to over expenditure on grant funding - 2011/2012 - refer to note 36.5		(604 338)
	Correction of FMG overstated due to over expenditure on grant funding- 2012/2013 - refer to note 36.5		(325 285)
	Correction of MSIG overstated due to over expenditure on grant funding - 2011/2012 - refer to note 36.5		(353 331)
	Correction of MSIG overstated due to over expenditure on grant funding- 2012/2013 - refer to note 36.5		(238 001)
	Correction of PPE understated due to capital expenditure not being capitalised - 2011/2012 - refer to note 36.1		7 886
	Correction of PPE understated due to capital expenditure not being capitalised - 2012/2013 - refer to note 36.1		10 135
	Correction of overstatement of pre-paid electricity receivable - 2012/2013 - refer to note 36.3		(38 241)
	Provision for SALA Pension Fund Creditor due to decrease in contributions from July 2003 not paid - 2012/2013 - refer to note		24 270
	Correction of Non-Current Borrowing understated due to ABSA Loan not paid - 2011/2012 - refer to note 36.7		(511 787)
	Correction of finance charges on ABSA Loan understated due to installments not paid - 2012/2013 - refer to note 36.7		(218 706)
	Correction of Cost Overstated on PPE - 2011/2012 - refer to note 36.1		(17 368 324)
	Correction of Accumulated Depreciation Overstated on PPE - 2011/2012 - refer to note 36.1		6 516 791
	Correction of Depreciation Overstated on PPE - 2012/2013 - refer to note 36.1		1 956 544
	Correction of Impairment Overstated on PPE - 2012/2013 - refer to note 36.1		13 565
	Correction of Investment Property overstated due to property incorrectly included in register - 2011/2012 - refer to note 36.11		(34 802 888)
	Correction of Fair Value Adjustment understated - 2012/2013 - refer to note 36.11		9 320 634
	Correction of understatement of fines issued but not yet paid - 2011/2012 - refer to note 36.13		654 250
	Correction of overstatement of fines issued but not yet paid - 2012/2013 - refer to note 36.13		(271 240)
	Correction of service charges overstated based on income received, but not yet billed - 2012/2013 - refer to note 36.13		(2 124 928)
	Restated balance		1 503 189 702

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
36.16	Adjustment to Statement of Financial Performance		
	Amount Previously Stated		(69 057 348)
	Correction of interest received on the 2nd of July 2014 for the year ended 30 June 2014 not previously disclosed as interest earned on external investments - 2012/2013 - refer to note 36.15		26 473
	Correction of water consumption incorrectly levied on Mr E Ntambam's consumer account - 2012/2013 - refer to note 36.15		(16 071)
	Correction of direct employee costs not previously capitalised - 2012/2013 - refer to note 36.15		41 519
	Correction of direct vehicle costs not previously capitalised - 2012/2013 - refer to note 36.15		91 302
	Correction of PPE overstated due to Other Expenditure being capitalised - 2012/2013 - refer to note 36.15		(56 616)
	Correction of PPE overstated due to Repairs and Maintenance being capitalised - 2012/2013 - refer to note 36.15		(31 576)
	Correction of Impairment understated due to project being cancelled - 2012/2013 - refer to note 36.15		(2 803 490)
	Correction of capital expenditure not previously allocated against MIG - 2012/2013 - refer to note 36.15		132 821
	Correction of capital expenditure not previously allocated against INEP - 2012/2013 - refer to note 36.15		800 000
	Reallocation of Indigent Subsidy from Other Expenditure to Grants and Subsidies Paid - 2012/2013 - refer to note 36.15		24 838 307
	Reallocation of Indigent Subsidy to Grants and Subsidies Paid - 2012/2013 - refer to note 36.15		(24 838 307)
	Reallocation of VAT on Grants i.t.o. Circular 48 from Government Grants - Capital to Government Grants - Operational - 2012/2013 - refer to note 36.15		(3 174 109)
	Reallocation of VAT on Grants i.t.o. Circular 48 to Government Grants - Operational - 2012/2013 - refer to note 36.15		3 174 109
	Correction of FMG overstated due to over expenditure on grant funding- 2012/2013 - refer to note 36.15		(325 285)
	Correction of MSIG overstated due to over expenditure on grant funding- 2012/2013 - refer to note 36.15		(238 001)
	Correction of PPE understated due to capital expenditure not being capitalised - 2012/2013 - refer to note 36.15		3 661
	Correction of PPE understated due to capital expenditure not being capitalised - 2012/2013 - refer to note 36.15		6 474
	Correction of overstatement of pre-paid electricity receivable - 2012/2013 - refer to note 36.15		(38 241)
	Provision for SALA Pension Fund Creditor due to decrease in contributions from July 2003 not paid - 2012/2013 - refer to note 36.15		24 270
	Correction of finance charges on ABSA Loan understated due to installments not paid - 2012/2013 - refer to note 36.15		(218 706)
	Correction of Depreciation Overstated on PPE - 2012/2013 - refer to note 36.15		1 956 544
	Correction of Impairment Overstated on PPE - 2012/2013 - refer to note 36.15		13 565
	Correction of Fair Value Adjustment understated - 2012/2013 - refer to note 36.16		9 320 634
	Correction of overstatement of fines issued but not yet paid - 2012/2013 - refer to note 36.15		(271 240)
	Correction of service charges overstated based on income received, but not yet billed - 2012/2013 - refer to note 36.15		(2 124 928)
	Restated balance		(62 764 239)
36.17	Adjustment to Interest Earned - External Investments		
	Amount Previously Stated		1 259 058
	Correction of interest received on the 2nd of July 2014 for the year ended 30 June 2014 not previously disclosed as interest earned on external investments - 2012/2013 - refer to note 36.16		26 473
	Restated balance		1 285 531
36.18	Adjustment to Service Charges		
	Amount Previously Stated		268 451 093
	Correction of water consumption incorrectly levied on Mr E Ntambam's consumer account - 2012/2013 - refer to note 21		(16 071)
	Correction of overstatement of pre-paid electricity receivable - 2012/2013 - refer to note 21		(38 241)
	Correction of water income overstated based on income received, but not yet billed - 2012/2013 - refer to note 21		(44 192)
	Correction of electricity income overstated based on income received, but not yet billed - 2012/2013 - refer to note 21		(2 080 735)
	Restated balance		266 271 854
36.19	Adjustment to Employee Related Costs		
	Amount Previously Stated		180 586 587
	Correction of direct employee costs not previously capitalised - 2012/2013 - refer to note 24		(41 519)
	Provision for SALA Pension Fund Creditor due to decrease in contributions from July 2003 not paid - 2012/2013 - refer to note 24		(24 270)
	Restated balance		180 520 798
36.20	Adjustment to Other Expenditure		
	Amount Previously Stated		60 725 002
	Correction of direct vehicle costs not previously capitalised - 2012/2013 - refer to note 34		(91 302)
	Correction of PPE overstated due to Other Expenditure being capitalised - 2012/2013 - refer to note 34		56 616
	Reallocation of Indigent Subsidy from Other Expenditure to Grants and Subsidies Paid - 2012/2013 - refer to note 34		(24 838 307)
	Correction of PPE understated due to capital expenditure not being capitalised - 2012/2013 - refer to note 34		(3 661)
	Restated balance		35 848 347
36.21	Repairs and Maintenance		
	Amount Previously Stated		12 611 043
	Correction of PPE overstated due to Repairs and Maintenance being capitalised - 2012/2013 - refer to note 28		31 576
	Correction of PPE understated due to capital expenditure not being capitalised - 2012/2013 - refer to note 28		(6 474)
	Restated balance		12 636 146

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Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
36.22	<i>Depreciation and Asset Impairment</i>		
	Amount Previously Stated		86 012 792
	Correction of Impairment understated due to project being cancelled - 2012/2013 - refer to note 27		2 803 490
	Correction of Depreciation Overstated on PPE - 2012/2013 - refer to note 27		(1 956 544)
	Correction of Impairment Overstated on PPE - 2012/2013 - refer to note 27		(13 565)
	Restated balance		86 846 173
36.23	<i>Government Grants and Subsidies - Capital</i>		
	Amount Previously Stated		44 398 184
	Correction of capital expenditure not previously allocated against MIG - 2012/2013 - refer to note 22		132 821
	Correction of capital expenditure not previously allocated against INEP - 2012/2013 - refer to note 22		800 000
	Reallocation of VAT on Grants i.t.o. Circular 48 from Government Grants - Capital to Government Grants - Operational - 2012/2013 - refer to note 22		(3 174 109)
	Restated balance		42 156 896
36.24	<i>Government Grants and Subsidies - Operating</i>		
	Amount Previously Stated		64 139 164
	Reallocation of VAT on Grants i.t.o. Circular 48 to Government Grants - Operational - 2012/2013 - refer to note 22		3 174 109
	Correction of FMG overstated due to over expenditure on grant funding- 2012/2013 - refer to note 22		(325 285)
	Correction of MSIG overstated due to over expenditure on grant funding- 2012/2013 - refer to note 22		(238 001)
	Restated balance		66 749 986
36.25	<i>Grants and Subsidies Paid</i>		
	Amount Previously Stated		639 375
	Reallocation of Indigent Subsidy to Grants and Subsidies Paid - 2012/2013 - refer to note 32		24 838 307
	Restated balance		25 477 682
36.26	<i>Finance Charges</i>		
	Amount Previously Stated		13 837 859
	Correction of finance charges on ABSA Loan understated due to installments not paid - 2012/2013 - refer to note 29		218 706
	Restated balance		14 056 565
36.27	<i>Fair Value Adjustment</i>		
	Amount Previously Stated		1 326 000
	Correction of Fair Value Adjustment understated - 2012/2013 - refer to note 1.3		8 594 483
	Restated balance		9 920 483
36.28	<i>Fines</i>		
	Amount Previously Stated		1 584 260
	Correction of overstatement of fines issued but not yet paid - 2012/2013 - refer to note 36.16		(271 240)
	Restated balance		1 313 020

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
36.29	<i>Irregular Expenditure</i>		
	Amount Previously Stated		31 480 409
	Restatement of amount previously shown as "written off by Council"		95 747 160
	Quotations not obtained from service providers		998 398
			<u>128 225 967</u>
37	RETIREMENT BENEFIT INFORMATION		
	Several councillors and employees belong to retirement and pension funds approved by the South African Local Government Bargaining Council. These funds are subject to regular actuarial valuation. These funds are run by their own Board of Directors and each fund have their own rules, compliant to legislation, that they must adhere to.		
38	ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT		
38.1	<i>Contributions to Organised Local Government</i>		
	Opening Balance	1 603 411	-
	Council Subscriptions	2 112 894	2 813 148
	Amount Paid - Current Year	(1 760 355)	(1 209 737)
	Balance Unpaid (Included in Creditors)	<u>1 955 950</u>	<u>1 603 411</u>
38.2	<i>Audit Fees</i>		
	Opening Balance	6 107	-
	Current Year Audit Fees	3 938 137	3 193 858
	Amount Paid - Current Year C00238	(3 889 600)	(3 187 751)
	Balance Unpaid (Included in Creditors)	<u>54 644</u>	<u>6 107</u>
38.3	<i>VAT</i>		
	VAT input receivables and VAT output receivables are shown in note 19. All VAT returns have been submitted by the due date throughout the year.		
38.4	<i>PAYE</i>		
	Opening Balance	-	1 804
	Current Year Payroll Deductions	19 139 657	16 082 188
	Amount Paid - Current Year	(17 722 152)	(16 083 992)
	Balance Unpaid (Included in Creditors)	<u>1 417 506</u>	<u>-</u>
38.5	<i>Pension and Medical Aid Deductions</i>		
	Opening Balance	-	2 804
	Current Year Payroll Deductions and Council Contributions	49 178 716	45 419 663
	Amount Paid - Current Year	(44 825 107)	(45 422 467)
	Balance Unpaid (Included in Creditors)	<u>4 353 610</u>	<u>-</u>
38.6	<i>UIF Payments</i>		
	Opening Balance	5 658	1 170
	Current Year Payroll Deductions and Council Contributions	2 696 356	2 186 298
	Amount Paid - Current Year	(2 494 618)	(2 181 809)
	Balance Unpaid (Included in Creditors)	<u>207 397</u>	<u>5 658</u>
38.7	<u>Councillor's Consumer Accounts in arrear older than 90 days</u>		
	No individual councillors' accounts were outstanding	-	-

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Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R	
38.8	Irregular Expenditure	2014	Restated 2013	
	Reconciliation of irregular expenditure:			
	Opening balance	128 225 967	95 747 161	
	Irregular expenditure current year	21 221 381	32 478 807	
	Written Off by Council	-	-	
	Irregular expenditure awaiting further action	149 447 348	128 225 967	
	Irregular expenditure awaiting condonement from National Treasury	149 447 348	128 225 967	
	Incident	Disciplinary steps/criminal proceedings		
	Quotations not obtained from service providers	None	18 307 316	15 495 598
	Purchases made without declaration of "in service of the state" - 2005/2006	None	8 080 472	8 080 472
	Purchases made without declaration of "in service of the state" - 2006/2007	None	16 931 235	16 931 235
	Purchases made without declaration of "in service of the state" - 2007/2008	None	13 788 894	13 788 894
	Purchases made without declaration of "in service of the state" - 2008/2009	None	11 753 854	11 753 854
	Purchases made without declaration of "in service of the state" - 2009/2010	None	8 704 895	8 704 895
	Purchases made without declaration of "in service of the state" - 2010/2011	None	11 415 910	11 415 910
	Deviations from Supply Chain not yet approved by Council (Direct Payments)	None	6 806 008	6 272 448
	Quotations which amounts were more than the formal quotation threshold	None	908 594	908 594
	Deviations not properly motivated	None	25 072 960	18 212 116
	Supplier in service of the State	None	2 446 740	2 131 917
	Quotations awarded in contravention with the CIDB regulations	None	455 062	455 062
Tender not registered on the CIDB website	None	22 658 674	11 958 238	
Tender evaluated with the wrong BBBEE point system	None	2 116 735	2 116 735	
		149 447 348	128 225 967	
The full extent of the irregular expenditure is still under investigation.				
Deviations Approved:		Reasons	Amount	
Noshtac Training And Consulting Cc		Training: Transporting and handling hazardous chemicals	52 814	
Barloworld Equipment South Africa		Replacement of routation circul for UM479	30 682	
Protea Coin Group		Professional fees for Protea Group	14 365	
Artistia 198 Cc		Repares to concrete slabs and resealing of 249 toilettes in Louisvale Dorp	36 500	
Trans Manufacturing (Pty) Ltd		Repaires to refuse truck UM514	40 763	
National Safety And Training			44 460	
Sam Kaptein		Assitance with returns and claims to the compensation commisioner		
JJ Traffic Control Services		Repairs and resealing to UDS toiletts at Karos	37 500	
Siboniseng Construction And Projects 140 Cc		Repairs and resealing to UDS toiletts at Lambrechtsdrift	39 500	
Vuka Civil Engineering		Repairs and resealing to UDS toiletts at Kalksloot	31 000	
A.L. Abott & Associates		Repairs and resealing to UDS toiletts at Leseding	37 900	
Dietrich Voight Mia Inc		Waste and drinking water analysis	44 454	
Mc Skoonmaakdienste & Tuindienste		Water samples for enviromental health services	22 938	
Raymond Young's Engineering		Repairs and resealing to UDS toiletts at Leerkrans	48 200	
Gordonia Motors		Repairs to Ford Ranger XLE Fire brigade	30 757	
Endress & Hauser (Pty) Ltd		Purchase of part for refuse truck UM609	33 255	
C-Pac Pump And Valves		Meter maintenance for waterworks and waste water works	60 554	
C-Pac Pump And Valves		Strip and qoute van flight pomp by rioolsuiwering	46 383	
Yonwabo-O-Loo		Strip and qoute	48 990	
Wrp Consultinh Engineers Pty Ltd		Portable toilettes for the taxi rank	37 000	
Ducharme Consulting Pty Ltd		Data loggers for war on leaks project	94 536	
Lecflo Cc		Movable asset verification system for 2013/2014 financial year	34 200	
ltron Metering Solutions South Africa		Pump repairs at sewerage works	49 854	
Tgis		Annual Fees - ltron metering	119 130	
Salqa		Tgis: Conducting a comprehensive water and electricity meter audit & ficial system	1 907 106	
		Salqa membership fees	1 603 411	

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Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
	Bell Equipment Co.Sa (Pty) Ltd	Repairs to compactor UM387	1 749 253
	Jcg Watertreatment Cte Water Tech Agrico (Edms)		326 998
	Bpk Voltex (Pty) Ltd	Refurbish and upgrade Lambrechtsdrift water treatment works	
	National Safety And Training	Consulting services to apply for amnesty with the compensation commissioner	282 812
	Friday Management Solutions	Retainer arrangement for labour and legal matters	71 978
	Powertech System Intergrators	Repair of electricity request control system	64 817
	Worley Parsons RSA	Variation order: Upgrading of Karos Sport	38 779
	CTE Water Tech	Refurbish and upgrade Lambrechtsdrift water treatment works	138 804
	Agrico	Refurbish and upgrade Lambrechtsdrift water treatment works	45 510
	Repra	Cost of copies of photo copy machine	260 958
	Hyber Technologies	Service of the huber rotamat fine screen grit classifier at Kameelmond	48 448
	Agrico	900mm Raw water pipe of Abraham Holbors September Waterworks	59 123
	Boegoeberg Waterverspreiders	Raw water supply for Leerkranz, Karos and Lambrechtsdrift Water Works	110 182
	Barloworld Equipment South Africa	Repair of grader pump	61 947
	South Africa Post Office	Acquisition of fragmented envelopes at Post Office	36 862
	Water Affairs	Raw Water Supply for Abraham Holbors September Water Works	1 597 378
			<u>9 440 101</u>

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Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R	
38.9	<u>Fruitless and Wasteful Expenditure</u>			
	Definition as per Municipal Finance Management Act: "fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised;			
	The following fruitless and wasteful expenditure have been incurred by the municipality for the year under review:			
	Reconciliation of fruitless and wasteful expenditure:	Total 30 June 2014	Total 30 June 2013	
	Opening balance	346 638	106 910	
	Fruitless and wasteful expenditure current year	3 941 138	245 835	
	Written Off by Council	(365 834)	(6 107)	
	Fruitless and wasteful expenditure awaiting further action	3 921 943	346 638	
	Incident	Disciplinary steps/criminal proceedings		
	Commitment fees - All loans not taken up as per agreement	None	76 046	76 046
	Interest on late payments to SARS	None	10 027	10 027
	Interest on ABSA Savings Accounts	None	17	17
	Interest on late payment of creditors	None	71 050	19 246
	Interest on late payment of ABSA	Additional Interest paid to financial institutional will be investigated	966 303	218 706
	Fraud on payment to creditor TCS	None	15 299	-
	Fruitless and Wasteful Expenditure identified in the current year relating to prior periods	None	2 755 805	-
	Fraudulent payment to non-employees / "ghost workers"	None	4 800	-
	Interest on late payment of DBSA	None	22 597	22 597
			3 921 943	346 638
	38.10	<u>Unauthorised</u>		
		Reconciliation of unauthorised expenditure:	Total 30 June 2014	Total 30 June 2013
		Opening Balance	134 788 287	123 523 412
Written Off by Council		-	-	
Unauthorised expenditure current year		18 484 906	11 264 875	
Unauthorised expenditure awaiting authorisation/Condonement		153 273 193	134 788 287	
Incident		Disciplinary steps/criminal proceedings		
Over expenditure of votes: non-cash items 2011/2012		None	118 656 750	118 656 750
Over expenditure of votes: cash items 2011/2012		None	4 866 662	4 866 662
Over expenditure of votes: non-cash items 2012/2013		None	5 759 169	5 759 169
Over expenditure of votes: cash items 2012/2013		None	5 505 705	5 505 705
Over expenditure of votes: non-cash items 2013/2014		None	8 007 941	-
Over expenditure of votes: cash items 2013/2014		None	10 476 965	-
			153 273 193	134 788 287

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Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R																																																
38.11	Non-Compliance with the Municipal Finance Management Act, Municipal Systems Act, Supply Chain Management Act and Minimum Competency Levels The following non-compliances with the Municipal Finance Management Act occurred during the year under review: Section 57: Unauthorised, irregular and fruitless and wasteful expenditure other losses were not prevented; Section 62(1)(d): Unauthorised, irregular and fruitless and wasteful expenditure other losses were not prevented; Section 65(2)(a) & (b): System for an effective expenditure control not always ensured; Section 65(2): Creditors not paid within 30 days; Section 112(1)(j): Awards were made to suppliers in service of the state without any disclosure thereof; Section 122: Material misstatements were corrected on the AFS; Section 57(A) of the MSA: No background checks are performed to ensure that persons dismissed for financial misconduct is being appointed within 10 years; Section 17(a) & (c) of the SCM regulations: Goods and services in between R 30 000 and R 199 999 were procured without obtaining the required price quotations; Section 32(2)(a)(ii) of the MFMA: No proof of investigations performed by Council Committee for Unauthorised and Irregular Expenditure could be provided Section 19(a) of the SCM regulations: Goods and services in excess of R 200 000 were procured without inviting competitive bids; Section 36(1) of the SCM regulations: Deviations approved although it was not impractical to invite competitive bids; Section 38(1) of the SCM regulations: No preventive steps were taken to ensure the abuse of the SCM process by not awarding tenders to suppliers in service of the state; Section 44 of the SCM regulations: Awards were made to suppliers in service of the state without any disclosure thereof;																																																		
39	RELATED PARTIES																																																		
39.1	Related party relationships exist between the municipality and the following parties: Mayor, Speaker , Councillors, Municipal Manager and Section 57 Managers. Related party transactions for municipal services During the year the municipality rendered services to the following related parties that are related to the municipality as indicated <table> <tr> <th></th><th>Rates</th><th>Services charges & Other levies</th><th>Total 30 June 2014</th></tr> <tr> <td>30 June 2014</td><td></td><td></td><td></td></tr> <tr> <td>Services rendered to related parties:</td><td></td><td></td><td></td></tr> <tr> <td>Councillors</td><td align="right">49 799</td><td align="right">135 581</td><td align="right">185 380</td></tr> <tr> <td>Municipal Manager & Sect 57 appointments</td><td align="right">26 530</td><td align="right">63 224</td><td align="right">89 754</td></tr> <tr> <td></td><td align="right">76 329</td><td align="right">198 805</td><td align="right">275 134</td></tr> </table> <table> <tr> <th></th><th>Rates</th><th>Services charges & Other levies</th><th>Total 30 June 2013</th></tr> <tr> <td>30 June 2013</td><td></td><td></td><td></td></tr> <tr> <td>Services rendered to related parties:</td><td></td><td></td><td></td></tr> <tr> <td>Councillors</td><td align="right">43 878</td><td align="right">125 183</td><td align="right">169 061</td></tr> <tr> <td>Municipal Manager & Sect 57 appointments</td><td align="right">13 752</td><td align="right">43 974</td><td align="right">57 726</td></tr> <tr> <td></td><td align="right">57 630</td><td align="right">169 157</td><td align="right">226 786</td></tr> </table> <i>The rates, service and other charges are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised. The amounts outstanding are unsecured and will be settled in cash. Consumer deposits were received from Councillors, the Municipal Manager and section 57 personnel.</i>		Rates	Services charges & Other levies	Total 30 June 2014	30 June 2014				Services rendered to related parties:				Councillors	49 799	135 581	185 380	Municipal Manager & Sect 57 appointments	26 530	63 224	89 754		76 329	198 805	275 134		Rates	Services charges & Other levies	Total 30 June 2013	30 June 2013				Services rendered to related parties:				Councillors	43 878	125 183	169 061	Municipal Manager & Sect 57 appointments	13 752	43 974	57 726		57 630	169 157	226 786		
	Rates	Services charges & Other levies	Total 30 June 2014																																																
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Municipal Manager & Sect 57 appointments	13 752	43 974	57 726																																																
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//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R																																																																																				
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	The following business transactions were concluded with businesses where a councillor are a member or a director of the company.																																																																																						
	<table> <tr> <th>Company's Name</th><th>Councillor / Employee</th><th>Total 30 June 2014</th><th>Total 30 June 2013</th></tr> <tr> <td>Help-U-Agency</td><td>S Esau Owner of Help-U-Agencies is the father of EJJ Esau who is the Manager: SCM</td><td>34 600</td><td>55 834</td></tr> <tr> <td>M E G Omgewingsimpakstudies</td><td>M E Geldenhuys, owner of MEG Omgewingsimpakstudies, is the wife of Tender Evaluation Committee member C Geldenhuys. This was declared in the Tender Evaluation Committee meetings.</td><td>536 502</td><td>-</td></tr> <tr> <td>Sam Sampie Bouers</td><td>Mrs Coetzee, Owner of Sam Sampie Bouers, is the wife of Mr Piet Coetzee that is working at the Parks department.</td><td>78 835</td><td>-</td></tr> <tr> <td>H C Adams Enterprises</td><td>Mr H Adams, Owner of H C Adams Enterprise, is the husband of Mrs L Adams that is working at the Street and Stormwater Department.</td><td>26 795</td><td>200 145</td></tr> <tr> <td>Gina's General Trade</td><td>Mrs G Juries, Owner Gina's General Trade, is the wife of Mr I Juries that is working at the LED, Tourism & Resort Department</td><td>140 099</td><td>-</td></tr> <tr> <td>Mr R Horn</td><td>Employee</td><td>75 000</td><td>-</td></tr> <tr> <td>Mr M H Gusha</td><td>Employee</td><td>75 000</td><td>-</td></tr> <tr> <td>Mr I Kazi</td><td>Employee</td><td>75 000</td><td>-</td></tr> <tr> <td>Mr GX Yona</td><td>Employee</td><td>75 000</td><td>-</td></tr> <tr> <td>Mr Z G Xabendlini</td><td>Employee</td><td>75 000</td><td>-</td></tr> <tr> <td>Mr S Plaatjies</td><td>Employee</td><td>75 000</td><td>-</td></tr> <tr> <td>Mr A Sokaba</td><td>Employee</td><td>75 000</td><td>-</td></tr> <tr> <td>Mr BSC Jafra</td><td>Employee</td><td>75 000</td><td>-</td></tr> <tr> <td>Mr C De Wee</td><td>Employee</td><td>75 000</td><td>-</td></tr> <tr> <td>Mr D Plaatjies</td><td>Employee</td><td>75 000</td><td>-</td></tr> <tr> <td>Mr L May</td><td>Employee</td><td>75 000</td><td>-</td></tr> <tr> <td>Mr WZ Mlaza</td><td>Employee</td><td>75 000</td><td>-</td></tr> <tr> <td>Mr WS Masiza</td><td>Employee</td><td>75 000</td><td>-</td></tr> <tr> <td>Mr M G Bovu</td><td>Director</td><td>75 000</td><td>-</td></tr> <tr> <td></td><td></td><td>1 866 831</td><td>255 979</td></tr> </table>	Company's Name	Councillor / Employee	Total 30 June 2014	Total 30 June 2013	Help-U-Agency	S Esau Owner of Help-U-Agencies is the father of EJJ Esau who is the Manager: SCM	34 600	55 834	M E G Omgewingsimpakstudies	M E Geldenhuys, owner of MEG Omgewingsimpakstudies, is the wife of Tender Evaluation Committee member C Geldenhuys. This was declared in the Tender Evaluation Committee meetings.	536 502	-	Sam Sampie Bouers	Mrs Coetzee, Owner of Sam Sampie Bouers, is the wife of Mr Piet Coetzee that is working at the Parks department.	78 835	-	H C Adams Enterprises	Mr H Adams, Owner of H C Adams Enterprise, is the husband of Mrs L Adams that is working at the Street and Stormwater Department.	26 795	200 145	Gina's General Trade	Mrs G Juries, Owner Gina's General Trade, is the wife of Mr I Juries that is working at the LED, Tourism & Resort Department	140 099	-	Mr R Horn	Employee	75 000	-	Mr M H Gusha	Employee	75 000	-	Mr I Kazi	Employee	75 000	-	Mr GX Yona	Employee	75 000	-	Mr Z G Xabendlini	Employee	75 000	-	Mr S Plaatjies	Employee	75 000	-	Mr A Sokaba	Employee	75 000	-	Mr BSC Jafra	Employee	75 000	-	Mr C De Wee	Employee	75 000	-	Mr D Plaatjies	Employee	75 000	-	Mr L May	Employee	75 000	-	Mr WZ Mlaza	Employee	75 000	-	Mr WS Masiza	Employee	75 000	-	Mr M G Bovu	Director	75 000	-			1 866 831	255 979		
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	Loans to senior management employees are no longer permitted since 1 July 2004																																																																																						

40	CAPITAL COMMITMENTS		
	Commitments in Respect of Capital Expenditure:		
	Approved and Contracted for -	65 606 458	77 244 668
	Infrastructure	59 722 211	68 848 774
	Community	5 884 246	1 519 748
	Other	-	6 876 146
	This expenditure will be financed from:		
	Approved and Contracted for -	65 606 458	77 244 668
	External Loans	7 395 581	23 346 668
	Government Grants	58 096 786	48 445 487
	Own Resources	114 090	5 452 514
	Commitments in Respect of Capital Expenditure:		
	Approved but not yet Contracted for -	43 678 958	65 814 924
	Infrastructure	32 601 741	52 650 227
	Community	9 450 901	3 985 233
	Other	1 626 316	9 179 464
	This expenditure will be financed from:		
	Approved but not yet Contracted for -	43 678 958	65 814 924
	External Loans	20 170 712	26 271 334
	Government Grants	22 508 246	37 043 590
	Own Resources	1 000 000	2 500 000

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
41	CONTINGENT LIABILITIES	8 642 585	22 492 619
	//Khara Hais Municipality / SA Local Authorities Pension Fund	-	3 033 450
	<i>//Khara Hais Municipality and SALA Pension Fund have reached a repayment agreement. Payment has incurred during the year and outstanding amount on year-end has been accounted for as a creditor as the remaining balance is payable within one year.</i>		
	//Khara Hais Municipality / Holtzhausen Familie Trust	40 100	40 100
	<i>Claims for damages to property of the applicant. Claim to be defended and thus far no summons have been issued. The outcome of the case is still uncertain.</i>		
	Claim from JHJ Van Niekerk	28 030	28 030
	<i>Claim for burns to Mr Van Niekerk's son at Eiland Resort. //Khara Hais Municipality lost the case, but an appeal was lodged. The appeal is still in process. The outcome of the appeal is still uncertain.</i>		
	//Khara Hais Municipality / Tauris Garden Trading 500 CC	7 554 163	7 554 163
	<i>A road-work tender awarded to Tauris Garden Trading 500 CC. Applicant could not comply with tender conditions, and tender was cancelled by means of a court order before any work was done. Applicant lodged an appeal. No further progress has been made. The outcome of the case is still uncertain.</i>		
	//Khara Hais Municipality / SA Music Rights Organisation Ltd	-	66 053
	<i>The case has been settled and payment was made.</i>		
	//Khara Hais Municipality / Arrie Jors	100 000	100 000
	<i>Claim for improper eviction and property damages. Claim to be defended. Amount unknown but will not be less than mentioned amount. The outcome of the case is still uncertain.</i>		
	//Khara Hais Municipality / AC Pool	299 895	300 000
	<i>Claim for injuries occurred on pavement at the corner of Mark and Hill Street. The matter is being defended by Council's attorneys. The outcome of this civil case is still uncertain.</i>		
	//Khara Hais Municipality / JF Bredenhand	8 000	8 000
	<i>Claim for injuries occurred in motor vehicle accident. This matter was set down for trial on 27 August 2013, however the plaintiff has passed away. The outcome of the case is still uncertain.</i>		
	//Khara Hais Municipality / Annette Gilham	-	100 000
	<i>No further provision as no confirmation and communication of case have been received from the Municipality's lawyers.</i>		
	//Khara Hais Municipality / Northern Cape Development Appeal Tribunal	300 000	300 000
	<i>Council took the NC Development Appeal Tribunal on review in the NC High Court. No further progress has been made thus far. The outcome of the appeal is still uncertain.</i>		
	//Khara Hais Municipality / Gawie Lukas	Unknown	450 000
	<i>Claim for unlawful dismissal during October 2009. Mr Lukas took the matter for review to Labour Court in terms of Labour Relations Act of 1995. The outcome of the matter is still</i>		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
	//Khara Hais Municipality / Mr N Kaffir, Mrs Visagie, Mr B Bosman, Mr S May and several illegal occupants <i>Claim for eviction of several illegal occupants. An opinion was sought for eviction in the Northern Cape High Court and the case will heard on the 22nd of August 2014. The outcome of the matter is still uncertain.</i>	Unknown	-
	//Khara Hais Municipality / Mr R J Coetzee <i>An application for urgent inderdict was made to Northern Cape High Court. Part of of the cost will be paid by //Khara Hais Municipality and the other part by the other party. The amount is still unknown.</i>	Unknown	-
	//Khara Hais Municipality / Mr J J Lucuanda <i>Claim for eviction of an illegal occupant at 34 Mirage Street, Upington. The application is being defended by the opposition. The outcome of the matter is still uncertain.</i>	Unknown	-
	//Khara Hais Municipality / Eviction Louisvaleweg <i>Claim for eviction of 50 illegal occupants. An opinion was sought for eviction. The PIE act applies. Because opposition is expected the matter will be handled in the Supreme Court. The outcome of the matter is still uncertain.</i>	100 000	100 000
	//Khara Hais Municipality / Cape Joint Pension Fund <i>Council has been summoned by the attorneys of Cape Joint Pension Fund - case number 12173/2012 for non-compliance with the Rule 17(5) of the Pension Fund. The case is being defended by Council's attorneys. The outcome of the case is still uncertain.</i>	212 397	212 397
	//Khara Hais Municipality / Department of Transport <i>Agreements were met between Department of Transport and //Khara Hais Municipality. No further provision is necessary.</i>	-	1 421 152
	//Khara Hais Municipality / SALGA <i>The ruling was in favour of SALGA resulting in that no 14th cheque / payment will be made to employees. No further contingent liability is therefore necessary.</i>	-	8 779 273
42	CONTINGENT ASSET	1 311 488	Amount Unknown
	//Khara Hais Municipality / Brainstorm Media House <i>Case has appeared on the role of the Northern Cape High Court. Brain Storm has indicated that the matter will be defended. //Khara Hais Municipality is claiming R 1 311 488 plus outstanding interest. The outcome is still uncertain.</i>	1 311 488	Amount Unknown
43	COMPARISON WITH THE BUDGET		
	The municipality's actual financial performance compared with the approved budgeted is set out in the budget comparison sheets.		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
44	<u>Distribution Losses:</u>		
44.1	<u>Electricity</u>		
	Electricity distribution losses comprises of technical and non-technical losses.		
	Technical losses, as defined in the NRS 080:2004, are losses on the electrical network due to the resistivity of the conductors and the energisation of transformers. Calculation of the technical losses of the municipal network which consists of urban and rural networks, applying the methodology in the NRS 080:2004, results in an estimated technical loss of 9.25%.		
	Non-technical losses are losses due to theft, faulty meters and billing errors and is calculated by subtracting technical losses from the total losses.		
	A total of 206 382 986 (2013: 193 132 077) units of kWh were purchased and a total of 186 219 657 (2013: 173 830 376) units of kWh were sold. Therefore a distribution loss of 20 163 329 (2013: 19 301 701) units or 9.77.% (2013: 9.99%), which is below the norm of 10% set by National Treasury, was incurred by //Khara Hais Municipality for the 2013-2014 financial year. The value of these losses at cost price amounts to R 13 000 696 (2013: R 11 847 978).		
44.2	<u>Water</u>		
	A total of 14 944 639 (2013: 14 571 286) kl of water were produced and a total of 8 834 378 (2013: 9 027 299) kl of water were sold. This represents a non-revenue water figure of 40.9% (2013: 38.0%) or 6 110 261 (2013: 5 544 587) kl for the financial year. The value of these losses at cost price amounts to R 11 303 983 (2013: 11 033 728).		
	The high non-revenue figures stems primarily from the fact that //Khara Hais Municipality has about 5 793 house connections (informal settlements on formal sites) without water meters and about 1 946 customers (informal settlements on formal sites) receiving water from standpipes in the streets.		
	Non-revenue water consists of the following components:		
	Unbilled authorised consumption, which is the annual volume of metered and / or unmetered water taken by registered consumers, the water supplier and other who are authorised to do so, but which are not billed;		
	Apparent losses, which is made up of unauthorised consumption, all types of metering inaccuracies and systematic data handling errors; and		
	Real losses, which is the annual volumes lost through all types of leaks, breaks and overflows on mains, service reservoirs and service connections, up to the point of customer metering.		
45	FINANCIAL RISK MANAGEMENT		
	The activities of the municipality expose it to a variety of financial risks, including market risk (comprising currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.		
45.1	<i>Foreign Exchange Currency Risk</i>		
	The Municipality does not engage in foreign currency transactions.		
45.2	<i>Price Risk</i>		
	the Municipality is not exposed to price risk		
45.3	<i>Interest Rate Risk</i>		
	As the Municipality has significant interest-bearing assets, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.		
	The Municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/(deficit) for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.		
	The Municipality did not hedge against any interest rate risks during the current year.		
	The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:		
	1% (2014 - 1%) Increase in interest rates	(1 467 949)	(1 471 259)
	0.5% (2014 - 0.5%) Decrease in interest rates	733 975	735 629

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R																																																																																	
45.4	Credit Risk Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur a financial loss. Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies. Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed acrossed different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practise this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. All rates and services are payable within 30 days from invoice date. Refer to note 4 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Due to the short term nature of receivables the carrying value disclosed in note 4 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at a rate approved by Council. <table><thead><tr><th></th><th>2014</th><th>2014</th><th>2013</th><th>2013</th></tr><tr><th><i>The provision for bad debts could be allocated between the different classes of debtors as follows:</i></th><th>%</th><th>R</th><th>%</th><th>R</th></tr></thead><tbody><tr><td>Non-Exchange Receivables</td><td></td><td></td><td></td><td></td></tr><tr><td>Rates</td><td>13.91%</td><td>(1 369 243)</td><td>11%</td><td>(1 155 646)</td></tr><tr><td>Exchange Receivables</td><td></td><td></td><td></td><td></td></tr><tr><td>Service Charges</td><td>86.09%</td><td>(8 473 327)</td><td>89%</td><td>(9 218 913)</td></tr><tr><td></td><td>100.00%</td><td>(9 842 570)</td><td>100.00%</td><td>(10 374 559)</td></tr></tbody></table> Bad debts written off per debtor class: <table><tbody><tr><td>Non-Exchange Receivables</td><td></td><td></td><td></td><td></td></tr><tr><td>Fines</td><td>40.16%</td><td>518 426</td><td>0.00%</td><td>-</td></tr><tr><td>Exchange and Non-Exchange Receivables</td><td></td><td></td><td></td><td></td></tr><tr><td>Rates and Service Charges</td><td>59.84%</td><td>772 578</td><td>100.00%</td><td>13 113 902</td></tr><tr><td></td><td>100.00%</td><td>1 291 004</td><td>100.00%</td><td>13 113 902</td></tr></tbody></table> The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below. Receivables from Exchange Transactions and Receivables from Non-Exchange Transactions are individually evaluated annually at year end for impairment. <table><thead><tr><th></th><th>2014 R</th><th>2013 R</th></tr></thead><tbody><tr><td>Financial assets exposed to credit risk at year end are as follows:</td><td></td><td></td></tr><tr><td>Long Term Receivables</td><td>23 798</td><td>28 699</td></tr><tr><td>Receivables from Exchange Transactions</td><td>46 126 729</td><td>41 719 220</td></tr><tr><td>Receivables from Non-Exchange Transactions</td><td>4 268 442</td><td>4 073 966</td></tr><tr><td>Cash and Cash Equivalents</td><td>2 871 591</td><td>18 716 785</td></tr><tr><td></td><td>53 290 560</td><td>64 538 670</td></tr></tbody></table>		2014	2014	2013	2013	<i>The provision for bad debts could be allocated between the different classes of debtors as follows:</i>	%	R	%	R	Non-Exchange Receivables					Rates	13.91%	(1 369 243)	11%	(1 155 646)	Exchange Receivables					Service Charges	86.09%	(8 473 327)	89%	(9 218 913)		100.00%	(9 842 570)	100.00%	(10 374 559)	Non-Exchange Receivables					Fines	40.16%	518 426	0.00%	-	Exchange and Non-Exchange Receivables					Rates and Service Charges	59.84%	772 578	100.00%	13 113 902		100.00%	1 291 004	100.00%	13 113 902		2014 R	2013 R	Financial assets exposed to credit risk at year end are as follows:			Long Term Receivables	23 798	28 699	Receivables from Exchange Transactions	46 126 729	41 719 220	Receivables from Non-Exchange Transactions	4 268 442	4 073 966	Cash and Cash Equivalents	2 871 591	18 716 785		53 290 560	64 538 670		
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//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R																																																										
45.5	Liquidity Risk Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines. The entity's risk to liquidity is a result of the funds available to cover future commitments. The Municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. <table><thead><tr><th></th><th>Less than 1 year</th><th>Between 2 and 5 years</th><th>Between 6 and 10 years</th><th>Over 10 years</th></tr></thead><tbody><tr><td>2014</td><td>157 750 250</td><td>51 066 397</td><td>35 359 743</td><td>35 560 671</td></tr><tr><td>Long Term Liabilities</td><td>23 680 826</td><td>51 066 397</td><td>35 359 743</td><td>35 560 671</td></tr><tr><td>Payables from Exchange Transactions</td><td>97 821 064</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Unspent Conditional Grants and Receipts</td><td>36 248 360</td><td>-</td><td>-</td><td>-</td></tr><tr><td>2013</td><td>98 496 565</td><td>53 651 263</td><td>43 044 417</td><td>44 281 074</td></tr><tr><td>Long Term Liabilities</td><td>8 506 003</td><td>53 651 263</td><td>43 044 417</td><td>44 281 074</td></tr><tr><td>Payables from Exchange Transactions</td><td>52 816 481</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Unspent Conditional Grants and Receipts</td><td>37 174 082</td><td>-</td><td>-</td><td>-</td></tr></tbody></table>		Less than 1 year	Between 2 and 5 years	Between 6 and 10 years	Over 10 years	2014	157 750 250	51 066 397	35 359 743	35 560 671	Long Term Liabilities	23 680 826	51 066 397	35 359 743	35 560 671	Payables from Exchange Transactions	97 821 064	-	-	-	Unspent Conditional Grants and Receipts	36 248 360	-	-	-	2013	98 496 565	53 651 263	43 044 417	44 281 074	Long Term Liabilities	8 506 003	53 651 263	43 044 417	44 281 074	Payables from Exchange Transactions	52 816 481	-	-	-	Unspent Conditional Grants and Receipts	37 174 082	-	-	-															
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2013	98 496 565	53 651 263	43 044 417	44 281 074																																																									
Long Term Liabilities	8 506 003	53 651 263	43 044 417	44 281 074																																																									
Payables from Exchange Transactions	52 816 481	-	-	-																																																									
Unspent Conditional Grants and Receipts	37 174 082	-	-	-																																																									
46	FINANCIAL INSTRUMENTS In accordance with GRAP 104 the financial instruments of the municipality are classified as follows: <table><thead><tr><th>46.1</th><th>Financial Assets</th><th>2014 R</th><th>2013 R</th></tr></thead><tbody><tr><td></td><td>Financial instruments at amortised cost</td><td></td><td></td></tr><tr><td></td><td>Long Term Receivables</td><td>23 798</td><td>28 699</td></tr><tr><td></td><td>Receivables from Exchange Transactions</td><td>46 126 729</td><td>41 719 220</td></tr><tr><td></td><td>Receivables from Non-Exchange Transactions</td><td>4 268 442</td><td>4 073 966</td></tr><tr><td></td><td>Current Portion of Long Term Receivables</td><td>4 400</td><td>6 263</td></tr><tr><td></td><td>Cash and Cash Equivalents</td><td>2 871 591</td><td>18 716 785</td></tr><tr><td></td><td></td><td>53 294 960</td><td>64 544 933</td></tr><tr><td>46.2</td><td>Financial Liability</td><td></td><td></td></tr><tr><td></td><td>Financial instruments at amortised cost</td><td></td><td></td></tr><tr><td></td><td>Long Term Liabilities</td><td>122 438 276</td><td>133 562 922</td></tr><tr><td></td><td>Payables from Exchange Transactions</td><td>97 821 064</td><td>52 816 481</td></tr><tr><td></td><td>Current Portion of Long Term Liabilities</td><td>23 229 362</td><td>15 919 835</td></tr><tr><td></td><td>Cash and Cash Equivalents</td><td>3 993 021</td><td>16 354 082</td></tr><tr><td></td><td></td><td>247 481 722</td><td>218 653 319</td></tr></tbody></table>	46.1	Financial Assets	2014 R	2013 R		Financial instruments at amortised cost				Long Term Receivables	23 798	28 699		Receivables from Exchange Transactions	46 126 729	41 719 220		Receivables from Non-Exchange Transactions	4 268 442	4 073 966		Current Portion of Long Term Receivables	4 400	6 263		Cash and Cash Equivalents	2 871 591	18 716 785			53 294 960	64 544 933	46.2	Financial Liability				Financial instruments at amortised cost				Long Term Liabilities	122 438 276	133 562 922		Payables from Exchange Transactions	97 821 064	52 816 481		Current Portion of Long Term Liabilities	23 229 362	15 919 835		Cash and Cash Equivalents	3 993 021	16 354 082			247 481 722	218 653 319
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47	EVENTS AFTER REPORTING DATE 47.1 A term loan at ABSA Bank that was repayable in six monthly installments was restructured and is now payable in monthly installments from August 2014 until October 2015. 47.2 Two managers were suspended with pay. The investigation is still pending.																																																												

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
48	Going Concern	2014	2013
	Deficit for the year	(27 026 403)	(62 764 239)
	During the period 2008/2009 to 2009/2010 the Municipality utilised the transitional provisions of Directive 4 issued by the Accounting Standards Board; which allowed the Municipality three years to recognise assets under the previous basis of accounting utilised by Municipalities. However, for the 2010/2011 financial year and retrospectively for two years the Municipality had to apply the new required Accounting Standards to recognise their assets. The result was that these assets were recognised at its current depreciated replacement cost; which resulted in a significant increase in the accumulated surplus. Due to the significant increase in the value of assets; depreciation subsequently increased as well. Thus, although the increase in depreciation has resulted in a deficit, this deficit is set-off against the large accumulated surplus that has been created. The off-setting depreciation must go – according to the approved GRAP Accounting Standards – through the Statement of Financial Performance and may not be off-set directly against the Statement of Changes in Net Assets. The deficit is thus funded by the accumulated surplus in the Statement of Changes in Net Assets; and, thus this will influence the setting of tariffs in the future. The Municipality compiled and approved a Municipal Turn Around Strategy. The Strategy was approved during November 2013. The Strategy aims to address the cash flow problems as well as other internal controls problems.		
	Current Assets less current liabilities	(108 739 562)	(62 659 655)
	It is noted with real concern that the current assets is R 108 739 562 (2013: 62 659 655) less than the current liabilities. Management are looking at ways to that will improve our current ratio of 0.62:1 (2013: 0.44:1) to a more favourable current ratio of 1:1. As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted. Taking the aforementioned into account, management has prepared th Annual Financial Statements on the Going Concern Basis.		

//KHARA HAIS MUNICIPALITY

APPENDIX A: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014

External Loans	Loan Number	Redeemable	Loan term	Interest Rate (Fixed)	Balance at 01/07/2013	Received During the Period	Other Costs	Interest Levied	Redeemed During the Period	Payment not processed in time	Balance at 30/06/2014
					R	R			R		R
Annuity Loans											
Development Bank of SA	6100-4137	31/03/2015	20 years	12.00%	523 020	-	-	46 758	(293 089)	-	276 690
Development Bank of SA	6100-3172	31/12/2019	20 years	16.50%	7 430 541	-	-	1 202 361	(1 911 064)	-	6 721 838
Development Bank of SA	6100-0766	31/12/2015	7 years	12.98%	993 691	-	-	119 290	(479 725)	-	633 256
Development Bank of SA	6100-0764	31/12/2028	20 years	12.59%	33 238 834	908 621	-	4 260 069	(5 080 675)	-	33 326 848
Development Bank of SA	6100-0765	31/12/2023	15 years	6.75%	25 575 218	4 387 787	11 130	1 913 560	(4 035 498)	-	27 852 196
 ABSA Bank	40-6309-6496	31/08/2015	10 years	10.04%	960 323	-	-	82 469	(478 934)	-	563 859
ABSA Bank	40-6353-0507	02/11/2015	10 years	10.07%	716 060	-	-	60 036	(319 718)	-	456 379
ABSA Bank	40-6396-1623	31/12/2015	10 years	10.12%	1 744 398	-	-	161 038	(800 664)	-	1 104 772
ABSA Bank	40-6447-8475	29/02/2016	10 years	10.17%	1 923 585	-	-	173 565	(802 957)	-	1 294 193
ABSA Bank	30-3213-8054	30-09-2015	5 years	9.60%	1 415 979	-	2 840	106 477	(786 164)	-	739 133
ABSA Bank	30-3213-9212	30-09-2015	5 years	9.06%	10 056 763	-	(237 054)	945 177	-	(471 068)	10 293 817
 Standard Bank	310-634-334	20-01-2017	5 years	10.00%	18 637 878	3 243 756	-	1 817 238	(6 906 940)	-	16 791 932
Standard Bank	310-840-708	31-12-2027	15 years	11.35%	46 266 467	-	-	5 928 492	(6 582 234)	-	45 612 725
TOTAL EXTERNAL LOANS					149 482 757	8 540 164	(223 085)	16 816 531	(28 477 661)	(471 068)	145 667 638

//KHARA HAIS MUNICIPALITY

APPENDIX B: ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2014

	Restated Opening Balance	Cost / Revaluation Under				Restated Opening Balance	Accumulated Depreciation				Carrying Value
		Additons	Construction	Disposals	Closing Balance		Additons	Disposals	Impairment	Closing Balance	
<u>Land and Buildings</u>											
Land and Buildings	187 093 392	1 195 606	1 940 490	-	190 229 488	(28 339 966)	(5 211 688)	-	(1 088 338)	(34 639 993)	155 589 495
Balance Previously Reported	179 575 995	1 195 606	1 940 490	-	182 712 091	(22 104 898)	(5 211 688)		(1 088 338)	(28 404 925)	154 307 166
Correction of Error - refer to note 36.1	7 517 397	-	-	-	7 517 397	(6 235 068)	-	-	-	(6 235 068)	1 282 329
Transferred	-				-	-				-	-
	187 093 392	1 195 606	1 940 490	-	190 229 488	(28 339 966)	(5 211 688)	-	(1 088 338)	(34 639 993)	155 589 495
<u>Infrastructure</u>											
Roads and Storm Water	604 362 549	755 275	27 595 478	-	632 713 302	(105 109 195)	(22 391 501)	-	(143 094)	(127 643 791)	505 069 511
Balance Previously Reported	642 098 187	755 275	27 595 478		670 448 940	(119 330 605)	(22 391 501)	-	(143 094)	(141 865 201)	528 583 739
Correction of Error - refer to note 36.1	(37 735 638)	-	-	-	(37 735 638)	14 221 410	-	-	-	14 221 410	(23 514 228)
Electricity	372 766 867	2 135 717	11 422 787	(19 760)	386 305 611	(72 032 490)	(14 566 346)	6 587	(800 454)	(87 392 703)	298 912 908
Balance Previously Reported	377 667 850	2 135 717	11 422 787	(19 760)	391 206 595	(77 644 890)	(14 566 346)	6 587	(800 454)	(93 005 103)	298 201 492
Correction of Error - refer to note 36.1	(4 900 983)	-	-	-	(4 900 983)	5 612 400	-	-	-	5 612 400	711 416
Transferred	-	-	-	-	-	-	-	-	-	-	-
Sewerage Mains & Purification	144 042 836	249 146	9 246 517	-	153 538 499	(30 470 236)	(6 961 890)	-	(1 570 546)	(39 002 672)	114 535 827
Balance Previously Reported	170 642 570	249 146	9 246 517		180 138 233	(37 482 675)	(6 961 890)		(1 570 546)	(46 015 111)	134 123 121
Correction of Error - refer to note 36.1	(26 599 734)	-	-	-	(26 599 734)	7 012 439	-	-	-	7 012 439	(19 587 294)
Water Mains & Purification	468 542 825	896 333	24 554 465	-	493 993 624	(76 609 000)	(15 094 102)	-	(6 549 779)	(98 252 881)	395 740 744
Balance Previously Reported	431 465 485	896 333	24 554 465		456 916 284	(64 110 337)	(15 094 102)		(6 549 779)	(85 754 217)	371 162 066
Correction of Error - refer to note 36.1	37 077 341	-	-	-	37 077 341	(12 498 663)	-	-	-	(12 498 663)	24 578 677
Solid waste	4 355 940	-	-	-	4 355 940	(2 692 686)	-	-	-	(2 692 686)	1 663 254
Balance Previously Reported	4 355 940	-	-		4 355 940	(2 692 686)	-			(2 692 686)	1 663 254
Correction of Error - refer to note 36.1	-	-	-	-	-	-	-	-	-	-	-
Railway infrastructure	12 358 701	-	-	-	12 358 701	(6 179 351)	(1 235 870)	-	-	(7 415 221)	4 943 480
Balance Previously Reported	12 358 701	-	-		12 358 701	(6 179 351)	(1 235 870)			(7 415 221)	4 943 480
Correction of Error - refer to note 36.1	-	-	-	-	-	-	-	-	-	-	-
Other Infrastructure	95 073	-	-	-	95 073	(12 230)	(2 446)	-	-	(14 676)	80 397
Balance Previously Reported	-	-	-		-	-	(2 446)			(2 446)	(2 446)
Correction of Error - refer to note	95 073	-	-	-	95 073	(12 230)	-	-	-	(12 230)	82 843
	1 606 524 790	4 036 470	72 819 249	(19 760)	1 683 360 750	(293 105 187)	(60 252 156)	6 587	(9 063 873)	(362 414 630)	1 320 946 120

<u>Community assets</u>											
Community Assets	77 440 884	750 535	9 627 321	-	87 818 740	(15 005 082)	(3 222 774)	-	(1 523 090)	(19 750 946)	68 067 794
Balance Previously Reported	70 420 677	750 535	9 627 321		80 798 533	(12 583 887)	(3 222 774)	-	(1 523 090)	(17 329 751)	63 468 782
Correction of Error - refer to note 36.1	7 200 123	-	-	-	7 200 123	(2 421 195)	-	-	-	(2 421 195)	4 778 928
Transferred	(179 916)	-	-	-	(179 916)	-	-	-	-	-	(179 916)
	77 440 884	750 535	9 627 321	-	87 818 740	(15 005 082)	(3 222 774)	-	(1 523 090)	(19 750 946)	68 067 794
<u>Other Assets</u>											
Vehicles and Movable Assets	71 757 443	4 597 411	-	(932 323)	75 422 531	(33 976 613)	(13 139 229)	638 872	(33 784)	(46 510 754)	28 911 776
Balance Previously Reported	71 577 527	4 597 411	-	(932 323)	75 242 615	(33 980 929)	(13 139 229)	638 872	(33 784)	(46 515 070)	28 727 544
Correction of Error - refer to note 36.1	-	-	-	-	-	4 316	-	-	-	4 316	4 316
Transferred	179 916	-	-	-	179 916	-	-	-	-	-	179 916
Other Fixed Assets	4 392 852	-	-	-	4 392 852	(26 083)	-	-	-	(26 083)	4 366 769
	76 150 295	4 597 411	-	(932 323)	79 815 383	(34 002 696)	(13 139 229)	638 872	(33 784)	(46 536 837)	33 278 546
GRAND TOTAL	1 947 209 362	10 580 021	84 387 059	(952 082)	2 041 224 360	(370 452 932)	(81 825 848)	645 459	(11 709 085)	(463 342 405)	1 577 881 955

//KHARA HAIS MUNICIPALITY

APPENDIX C: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R		2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R
48 388 125	29 610 189	18 777 937	Executive & Council	65 771 447	28 490 095	37 281 352
100 836 710	51 491 584	49 345 127	Budget & Treasury	131 270 264	57 055 734	74 214 530
1 609 653	52 554 248	(50 944 595)	Corporate Services	4 198 816	57 060 221	(52 861 405)
1 688 028	12 471 480	(10 783 452)	Planning & Development	5 224 794	11 776 542	(6 551 748)
1 308 287	4 998 399	(3 690 111)	Health	1 216 484	4 607 201	(3 390 717)
794 670	8 140 004	(7 345 333)	Community & Social Services	891 193	8 526 952	(7 635 759)
6 855 006	9 932 644	(3 077 638)	Housing	6 151 138	7 254 832	(1 103 694)
6 979 909	22 447 349	(15 467 440)	Public Safety	6 530 785	23 375 380	(16 844 595)
21 231 361	30 645 928	(9 414 567)	Sport & Recreation	4 505 986	33 031 602	(28 525 616)
-	-	-	Environmental Protection	-	-	-
23 257 439	27 568 165	(4 310 725)	Waste Management	26 356 726	28 976 780	(2 620 054)
25 348 296	27 097 120	(1 748 824)	Waste Water Management	27 885 012	30 806 208	(2 921 197)
168 399	39 024 001	(38 855 602)	Road Transport	206 201	39 434 479	(39 228 279)
39 770 950	41 774 804	(2 003 855)	Water	46 764 108	52 237 114	(5 473 006)
179 086 144	160 638 950	18 447 194	Electricity	207 837 102	177 714 362	30 122 740
223	1 692 577	(1 692 353)	Other	60	1 489 016	(1 488 957)
457 323 201	520 087 440	(62 764 239)	TOTAL	534 810 116	561 836 519	(27 026 403)

//KHARA HAIS MUNICIPALITY

APPENDIX D: ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/2014 Actual R	2013/2014 Budget R	2013/2014 Variance R	2013/2014 Variance %	Explanation of Significant Variances (Above or below 10%)
REVENUE					
Property rates	61 002 862	63 349 853	(2 346 991)	-4%	
Service charges	306 086 270	317 273 482	(11 187 213)	-4%	
Rental of facilities and equipment	8 123 689	7 047 682	1 076 007	15%	
Interest earned - external investments	1 164 803	914 217	250 586	27%	
Interest earned - outstanding receivables	1 996 524	1 682 327	314 197	19%	
Fines	873 270	865 472	7 798	1%	
Actuarial Gain	6 706 302	-	6 706 302	100%	
Fair Value Adjustment on Investment Property	12 043 212	-	12 043 212	100%	
Licences and permits	1 642 016	1 670 187	(28 171)	-2%	
Income for agency service	3 457 704	3 476 800	(19 096)	-1%	
Income for housing agency service	648 363	1 500 000	(851 637)	-57%	
Employee housing	104 375	113 856	(9 481)	-8%	
Government grants and subsidies - Operating	69 642 640	68 747 923	894 717	1%	
Government grants and subsidies - Capital	52 910 396	73 032 301	(20 121 905)	-28%	
Other income	7 469 669	7 947 933	(478 264)	-6%	
	533 872 094	547 622 033	(13 749 939)	-3%	
Less: Revenue foregone	(2 138 216)	(2 186 907)	48 691	-2%	
Total Revenue	531 733 878	545 435 126	(13 701 248)	-3%	
EXPENDITURE					
Employee related costs	199 439 592	199 803 930	364 338	0%	
Remuneration of councillors	7 120 447	7 483 334	362 887	5%	
Contributions to provisions - Bad debts	240 590	1 000 000	759 410	76%	
Contributions to provisions - Other	14 283 163	10 245 695	(4 037 468)	-39%	
Collection cost	154 825	210 000	55 175	26%	
Depreciation and amortisation expense	82 804 120	108 541 880	25 737 760	24%	
Impairment Loss	11 709 085	-	(11 709 085)	-100%	
Repairs and maintenance	10 558 606	14 649 020	4 090 414	28%	
Finance costs	19 944 458	16 227 962	(3 716 496)	-23%	
Bulk purchases	136 031 708	133 531 083	(2 500 625)	-2%	
Contracted services	15 953 849	20 584 654	4 630 805	22%	
Grants and subsidies paid	27 209 537	25 743 902	(1 465 635)	-6%	
Operating projects	1 394 202	1 079 140	(315 062)	-29%	
General expenses	34 992 337	54 512 200	19 519 863	36%	
Total Expenditure	561 836 519	593 612 800	31 776 281	5%	
Gain / (loss) on sale of assets	3 076 238	4 500 000	(1 423 762)	-32%	
NET SURPLUS/(DEFICIT)	(27 026 403)	(43 677 674)	16 651 271	-38%	

//KHARA HAIS MUNICIPALITY

APPENDIX E: ACTUAL VERSUS BUDGET (ACQUISITION OF PPE, IP AND INTANGIBLE ASSETS) FOR THE YEAR ENDED 30 JUNE 2014

	2013/2014 Actual R	2013/2014 Adjustment Budget R	2013/2014 Variance R	2013/2014 Variance %	Explanation of Significant Variances
Executive & Council	1 026 625	2 065 344	(1 038 718)	-50.29%	Capital projects not completed
Budget & Treasury	154 161	196 000	(41 839)	-21.35%	Capital projects not completed
Corporate Services	6 279 498	6 759 595	(480 097)	-7.10%	Capital projects not completed
Planning & Development	21 049	525 418	(504 369)	-95.99%	Capital projects not completed
Community & Social Services	6 359	546 631	(540 272)	-98.84%	Capital projects not completed
Public Safety	20 000	131 672	(111 672)	-84.81%	Capital projects not completed
Sport & Recreation	10 544 664	17 306 505	(6 761 841)	-39.07%	Capital projects not completed
Waste Management	-	-	-	#DIV/0!	Capital projects not completed
Waste Water Management	9 498 558	16 191 594	(6 693 036)	-41.34%	Capital projects not completed
Road Transport	28 353 938	45 290 742	(16 936 804)	-37.40%	Capital projects not completed
Water	25 533 725	29 599 440	(4 065 715)	-13.74%	Capital projects not completed
Electricity	13 558 504	28 655 158	(15 096 654)	-52.68%	Capital projects not completed
GRAND TOTALS	94 997 081	147 268 099	(52 271 018)	-35.5%	

APPENDIX F - Unaudited
//KHARA HAIS MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2013	Correction of error	Restated balance 1 JULY 2013	Contributions during the year	Transferred	Withheld	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2014	Unspent 30 JUNE 2014 (Creditor)	Unpaid 30 JUNE 2014 (Debtor)
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS										R	R
FMG	(929 623)	929 623	-	1 550 000	-	-	(1 550 000)	-	-	-	-
MSIG	(591 332)	591 332	-	890 000	-	-	(890 000)	-	-	-	-
Libraries	819 602	-	819 602	931 000	-	-	(554 349)	(1 315)	1 194 938	1 194 938	-
MIG	32 238 943	(132 821)	32 106 123	34 945 000	-	(2 533 000)	(5 221 776)	(34 900 686)	24 395 661	24 395 661	-
Lotto	(1 239 568)	-	(1 239 568)	1 900 000	-	-	(67 608)	(565 417)	27 407	27 407	-
Cleanest Town Competition	4 001	-	4 001	-	-	-	-	-	4 001	4 001	-
Royal Agricultural Society	117 567	-	117 567	20 000	-	-	(3 595)	(341 678)	(207 706)	-	(207 706)
Provincial LED Projects	101 593	-	101 593	-	-	-	-	-	101 593	101 593	-
EPWP	3 714 455	-	3 714 455	1 000 000	-	-	(286 851)	(2 983 868)	1 443 737	1 443 737	-
Health	(3 379 659)	-	(3 379 659)	2 274 000	-	-	(1 275 000)	-	(2 380 659)	-	(2 380 659)
INEP	-	(800 000)	(800 000)	9 700 000	-	-	(1 043 135)	(7 856 865)	-	-	-
DWA	-	-	-	630 547	-	-	(52 184)	(372 744)	205 618	205 618	-
Department of Transport	402 308	-	402 308	-	-	-	(2 855)	(20 391)	379 062	379 062	-
Donations - Other	30 000	-	30 000	-	-	-	-	-	30 000	30 000	-
Duineveld High School	-	-	-	18 000	-	-	-	(18 000)	-	-	-
FET / COGHTA Learnership	-	-	-	40 500	-	-	(62 024)	-	(21 524)	-	(21 524)
Community Sport for Youth Development	-	-	-	1 872 753	-	-	(435 331)	(4 053 023)	(2 615 600)	-	(2 615 600)
Cultural Festival	-	-	-	218 000	-	-	(205 360)	-	12 640	12 640	-
Total	31 288 288	588 134	31 876 422	55 989 800	-	(2 533 000)	(11 650 067)	(51 113 986)	22 569 169	27 794 658	(5 225 489)

APPENDIX G
//KHARA HAIS MUNICIPALITY
STATEMENT OF REMUNERATION OF COUNCILLORS & SENIOR MANAGEMENT

30 June 2014

Incumbent	Fees for Rates	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Total Remuneration
	R		R	R	R	R	R
Mayor							
Limakatso A Koloi	608	1 992	584 642	-	664	93 184	678 490
Speaker							
Thomas Basson	-	-	493 402	-	58 218	-	551 620
Executive Committee							
Rlds E Allies	10 199	18 026	241 544	-	58 927	-	300 471
Rlds M Segede	-	-	285 251	-	15 220	-	300 471
Rlds J L Snyman	8 443	26 203	226 043	-	41 680	32 748	300 471
Rlds K De Wee	-	-	249 051	-	15 220	36 199	300 471
Other Councillors							
Rlds M Plaatjies	-	-	182 669	-	15 220	26 327	224 216
Rlds J Thomas	-	-	182 669	-	15 220	26 327	224 216
Rlds J Assegaa	-	-	208 996	-	15 220	-	224 216
Rlds S P May	-	3 260	208 996	-	15 220	-	224 216
Rlds I S S Selborne	2 094	5 709	198 916	-	25 300	-	224 216
Rlds E Munnik	203	5 131	182 669	-	15 220	26 327	224 216
Rlds M Kock	203	1 024	182 669	-	15 220	26 327	224 216
Rlds J Isaacs	4 255	11 366	182 669	-	15 220	26 327	224 216
Rlds M M Abels	2 094	1 458	182 669	-	15 220	26 327	224 216
Rlds M Andreas	-	-	208 996	-	15 220	-	224 216
Rlds M G Brand	540	1 227	144 663	-	58 927	20 626	224 216
Rlds R George	-	-	182 669	-	15 220	26 327	224 216
Rlds E Lebitsa	-	-	165 289	-	58 927	-	224 216
Rlds E Mnyaka	-	-	208 996	-	15 220	-	224 216
Rlds J Moya	-	-	208 996	-	15 220	-	224 216
Rlds D Ntlanganiso	-	-	144 663	-	58 927	20 626	224 216
Rlds P T Van der Steen	7 317	26 744	208 996	-	15 220	-	224 216
Rlds A Van Rooyen	10 604	25 931	176 239	-	47 977	-	224 216
Rlds A van Wyk	-	-	182 669	-	15 220	26 327	224 216
Rlds I van Wyk	-	-	164 023	-	13 481	24 117	201 621
Rlds J M Van Wyk	3 242	5 294	125 913	-	8 264	17 814	151 991
Rlds E olyn	-	2 216	58 941	-	6 956	8 841	74 739
Total for Councillors	49 799	135 581	5 973 908	-	681 769	464 770	7 120 447

30 June 2014

Incumbent	Fees for Rates	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Total Remuneration
	R		R	R	R	R	R
Municipal Manager (filled for 7 months) DE Ngxanga	12 346	20 431	691 073	-	131 865	198 555	1 021 493
Chief Financial Officer GM Schreiner	419	1 590	680 300	-	205 923	153 426	1 039 649
Manager: Community Services GM Bovu	3 174	5 049	901 943	-	128 734	11 098	1 041 775
Manager: Corporate Services CM Newman	1 202	5 716	678 000		203 293	159 002	1 040 295
Acting Manager: Developmental Services (Position created 31 January 2014, Filled from 25 March 2014) PJ Viviers	-		309 000	-	16 530	3 784	329 314
Manager: Electro-mechanical Services H Auret	9 388	30 439	794 520	-	41 934	203 601	1 040 055
Acting Manager: Civil engineering Services (Position created 31 January 2014, Filled from 25 March 2014) JE Kock	-		225 609	-	50 250	3 178	279 037
Total for Senior Managers	26 530	63 224	4 280 445	-	778 529	732 644	4 770 126

//KHARA HAIS MUNICIPALITY
APPENDIX H
RATIO ANALYSIS

RATIO	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	MUNICIPAL COMMENTS (#)
" R 000 "				

1. FINANCIAL POSITION

A. Asset Management/Utilisation

1	Capital Expenditure to Total Expenditure	10% - 20%		9%	Only capital projects funded by Grant allocations are being conducted
			Total Operating Expenditure	561 836 519	
			Taxation Expense	-	
			Total Capital Expenditure	52 910 396	

2	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%		1%	The implementation of a stricter Asset Management Plan resulted in assets being impaired.
			PPE, Investment Property and Intangible Impairment	11 709 085	
			PPE at carrying value	1 577 881 955	
			IP at carrying value	209 472 908	
			Intangible Assets at carrying value	306 949	

3	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%		1%	This is due to the implementation of GRAP 17 with the higher DRC values
			Total Repairs and Maintenance Expenditure	10 558 606	
			PPE at carrying value	1 577 881 955	
			Investment Property at Carrying value	209 472 908	

B. Debtors Management

1	Collection Rate	95%		99%	
			Gross Debtors closing balance	60 237 741	
			Gross Debtors opening balance	56 167 746	
			Bad debts written Off	1 291 004	
			Billed Revenue	367 089 131	

2	Bad Debts Written-off as % of Provision for Bad Debt	100%		14%	
			Consumer Debtors Bad debts written off	1 291 004	
			Consumer Debtors Current bad debt Provision	9 324 145	

3	Net Debtors Days	30 days		51 days	Credit Control and Debt Collection Policy is not fully implemented
			Gross debtors	60 237 741	
			Bad debts Provision	9 324 145	
			Billed Revenue	367 089 131	

C. Liquidity Management

1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	1 - 3 Months		-1 Month	Non-collection of outstanding debtors resulted in cash flow problems
			Cash and cash equivalents	2 871 591	
			Unspent Conditional Grants	36 248 360	
			Overdraft	3 993 021	
			Short Term Investments	668 913	
			Total Annual Operational Expenditure	561 836 519	

2	Current Ratio	1.5 - 2:1		0.38	Non-collection of outstanding debtors resulted in cash flow problems
			Current Assets	66 096 488	
			Current Liabilities	174 836 050	

D. Liability Management

1	Capital Cost(Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%		9%	Decrease in total operating expenditure resulted in higher capital cost percentage.
			Interest Paid	19 944 458	
			Redemption	28 477 661	
			Total Operating Expenditure	561 836 519	
			Taxation Expense	-	

2	Debt (Total Borrowings) / Revenue	45%		27%	
			Total Debt	145 667 638	
			Total Operating Revenue	534 810 116	
			Operational Conditional Grants		

E. Sustainability

1	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%		-2%	Unspent Conditional Grants were not cash backed at the end of the financial year due to cash flow constrains
			Cash and cash Equivalents	2 871 591	
			Bank Overdraft	3 993 021	
			Short Term Investment	668 913	
			Long Term Investment	-	
			Unspent Grants	36 248 360	
			Net Assets	1 476 163 298	
			Share Premium	-	
			Share Capital	-	
			Revaluation Reserve	-	
			Fair Value Adjustment Reserve	-	
			Accumulated Surplus	-	

2. FINANCIAL PERFORMANCE

A. Efficiency

1	Net Operating Surplus Margin	= or > 0%		-17%	Total Operating Revenue excludes Capital Expenditure Transferred to Revenue. Implementation of GRAP 17 with higher DRC values resulted in depreciation in excess of R 80 million.
			Total Operating Revenue	481 899 719	
			Depreciation - Revalued Portion (Only populate if depreciation line item in	-	
			Total Operating Expenditure	561 836 519	
			Taxation Expense		

2	Net Surplus /Deficit Electricity	0% - 15%		14%	Electricity tariffs are approved by NERSA.
			Total Electricity Revenue	207 837 102	
			Total Electricity Expenditure	177 714 362	
3	Net Surplus /Deficit Water	= or > 0%		-12%	Water tariffs does not included provision to cover DRC values of assets due to implementation of GRAP 17.
			Total Water Revenue	46 764 108	
			Total Water Expenditure	52 237 114	
4	Net Surplus /Deficit Refuse	= or > 0%		-10%	Refuse tariffs does not included provision to cover DRC values of assets due to implementation of GRAP 17.
			Total Refuse Revenue	26 356 726	
			Total Refuse Expenditure	28 976 780	
5	Net Surplus /Deficit Sanitation and Waste Water	= or > 0%		19%	Sanitation tariffs does not included provision to cover DRC values of assets due to implementation of GRAP 17.
			Total Sanitation and Water Waste Revenue	27 885 012	
			Total Sanitation and Water Waste Expenditure	22 690 068	

B. Distribution Losses

1	Electricity Distribution Losses (Percentage)	7% - 10%		10%	
			Number of units purchased and/or generated	206 382 986	
			Number of units sold	186 219 657	
2	Water Distribution Losses (Percentage)	15% - 30%		41%	A project War against leaks were implemented to address these losses. A water masterplan is in the process of being compiled.
			Number of kilolitres purchased and/or purified	14 944 639	
			Number of kilolitres sold	8 834 378	

C. Revenue Management

1	Growth in Number of Active Consumer Accounts	None		9%	Cleansing of Debtor Database through Revenue Enhancement Programme.
			Number of Active Debtors Accounts (Previous)	28 732	
			Number of Active Debtors Accounts (Current)	31 272	
2	Revenue Growth (%)	= CPI		17%	The average CPI for the year ended 30 June 2014 was used
			CPI	6%	
			Total Revenue (Previous)	457 323 201	
			Total Revenue (Current)	534 810 116	
3	Revenue Growth (%) - Excluding capital grants	= CPI		16%	The average CPI for the year ended 30 June 2014 was used
			CPI	6%	
			Total Revenue Exl.Capital (Previous)	415 166 306	
			Total Revenue Exl.Capital (Current)	481 899 719	

D. Expenditure Management

1	Creditors Payment Period (Trade Creditors)	30 days		122 days	Unspent grants previously not cash backed resulted in own funds being utilised to fund these projects as well as the non-collection of debtors resulted in cash flow problems
			Trade Creditors	97 821 064	
			Contracted Services	15 953 849	
			Repairs and Maintenance	10 558 606	
			General expenses	34 992 337	
			Bulk Purchases	136 031 708	
			Capital Credit Purchases (<i>Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment</i>)	94 997 081	

2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%		55%	
			Irregular, Fruitless and Wasteful and Unauthorised Expenditure	306 642 484	
			Total Operating Expenditure	561 836 519	
			Taxation Expense	-	

3	Remuneration as % of Total Operating Expenditure	25% - 40%		37%	
			Employee/personnel related cost	199 439 592	
			Councillors Remuneration	7 120 447	
			Total Operating Expenditure	561 836 519	
			Taxation Expense	-	

4	Contracted Services % of Total Operating Expenditure	2% - 5%		3%	
			Contracted Services	15 953 849	
			Total Operating Expenditure	561 836 519	
			Taxation Expense	-	

E. Grant Dependency

1	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure	None		44%	
			Internally generated funds	1 337 065	
			Borrowings	40 098 317	
			Total Capital Expenditure	94 997 081	

2	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None		1%	
			Internally generated funds	1 337 065	
			Total Capital Expenditure	94 997 081	

3	Own Source Revenue to Total Operating Revenue(Including Agency Revenue)	None		80%	
			Total Revenue	408 151 012	
			Government grant and subsidies	122 553 036	
			Public contributions and Donations	-	
			Capital Grants	52 910 396	

3. BUDGET IMPLEMENTATION

1	Capital Expenditure Budget Implementation Indicator	95% - 100%		65%	Inflated capital budget due to roll-overs
			Actual Capital Expenditure	94 997 081	
			Budget Capital Expenditure	147 268 099	

2	Operating Expenditure Budget Implementation Indicator	95% - 100%		95%	Stricter budget controls resulted in less portion of budget being spent
			Actual Operating Expenditure	561 836 519	
			Budget Operating Expenditure	593 612 800	

3	Operating Revenue Budget Implementation Indicator	95% - 100%		104%	Total Operating Revenue excludes Capital Expenditure Transferred to Revenue
			Actual Operating Revenue	481 899 719	
			Budget Operating Revenue	461 634 956	

4	Service Charges and Property Rates Revenue Budget Implementation Indicator	95% - 100%		100%	
			Actual Service Charges and Property Rates Revenue	364 950 915	
			Budget Service Charges and Property Rates Revenue	363 168 559	

Interpretation of results

	The green colour indicates that the result is within the norm and is acceptable
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.
	Data should be captured in the blue colour cell to calculate a ratio.
#	In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced